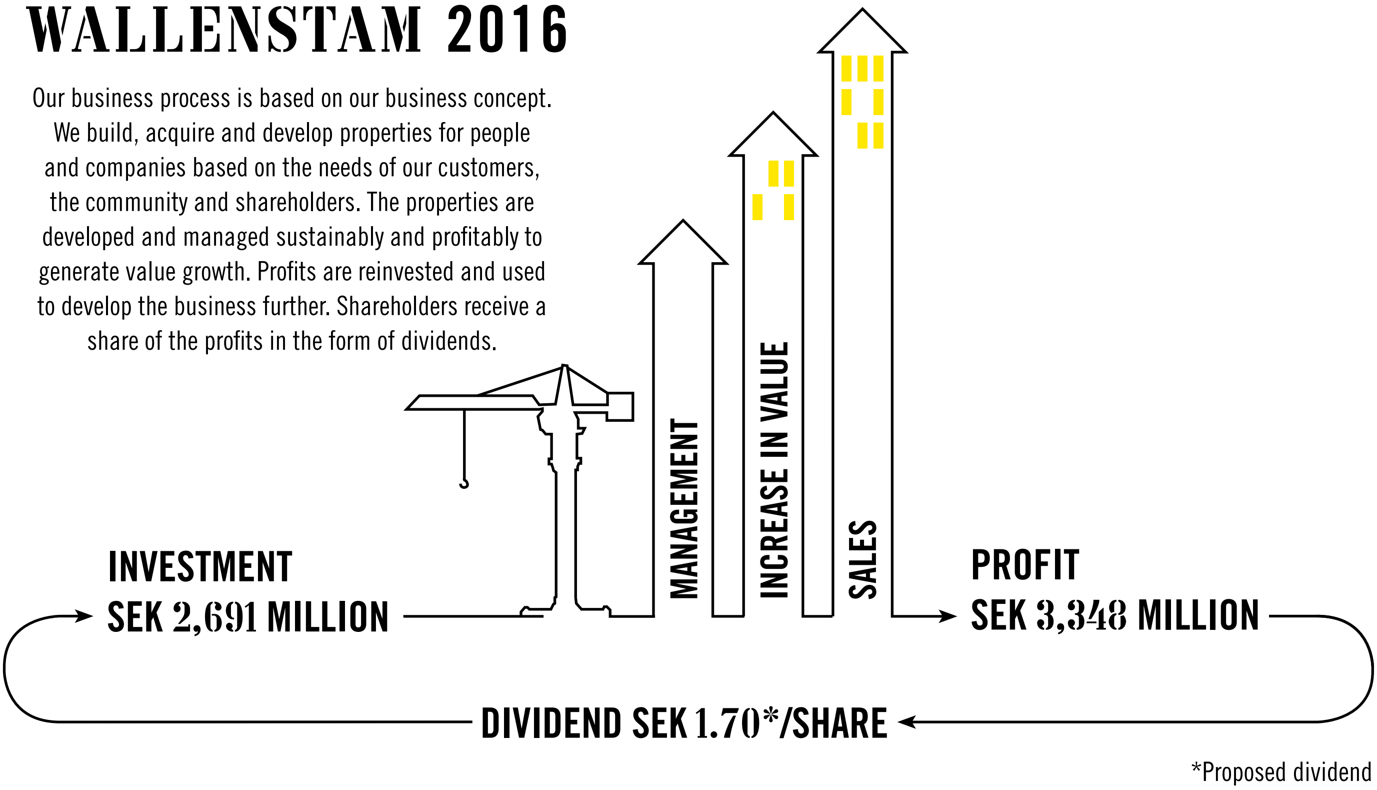
LET THE CITY GROW!

ANNUAL REPORT 2016

Wallenstam

WALLENSTAM 2016

Our business process is based on our business concept. We build, acquire and develop properties for people and companies based on the needs of our customers, the community and shareholders. The properties are developed and managed sustainably and profitably to generate value growth. Profits are reinvested and used to develop the business further. Shareholders receive a share of the profits in the form of dividends.



*Proposed dividend

– Q1 –

258

Construction starts of 258 apartments in Solberga, Stockholm and in Stallbacken, Mölndal. The beginning of the demolition phase in the old Arla factory represented the starting shot for Kallebäcks Terrasser, where about 2,000 apartments will be built.

Wallenstam signs agreement to acquire Axesshuset in Haga, central Gothenburg.

In February, Wallenstam received the Kundkristallen award (Customer Crystal) for the second time in the “biggest boost in the service index” category.

– Q2 –

121

rental apartments were completed in the environmentally-designed Norra Djurgårdsstaden district in Stockholm. Wallenstam’s third phase in Stallbacken, Mölndal, begins with 82 rental apartments, as well as construction of 17 terraced houses with ownership rights in Helsingborg.

In June, green bonds are issued for SEK 400 million, aimed at refinancing wind turbines in the subsidiary Svensk NaturEnergi.

Karin Mattsson Weijber joins Wallenstam’s Board of Directors as a new member.

– Q3 –

4,300

square meters, spread across seven floors are let on Avenyn 21 – commercial premises, which were renovated and developed during the year as part of the Mid Avenue Valand project.

In Umami Park, Sundbyberg, with plans for about 900 apartments, celebrity chef Marcus Samuelsson opens a pop-up restaurant and a concert was arranged with the artist Oskar Linnros.

Wallenstam also wins an award for the best Annual Report in the Large Cap segment.

– Q4 –

5

construction projects begin, which combined involve 461 apartments, including the first phase of Umami Park in Sundbyberg, and Ulfsparregatan in Lunden, Gothenburg.

In October, Wallenstam receives the Swedish Renewable Energy Award 2016 for its comprehensive investments in renewable energy – a climate award presented every year by Swedish Wind Energy.

WE ARE DEVELOPING THE CITY FOR THE HOUSING OF THE FUTURE

Wallenstam is both a construction company and a property management company. A major housing shortage currently exists in our metropolitan areas. With 70 years' experience of property management and construction of both residential and commercial properties, we offer a wealth of expertise in the development and densification of our cities.

We have been listed on the Stockholm Stock Exchange since 1984. We are increasing the number of shareholders each year and now we have more than 13,000 for whom we are working every day to create value through efficient management and profitable new construction projects.

For us at Wallenstam, urban development is about taking economic, social and environmental responsibility. We set the goal in our business plan of achieving an average rate of net asset value growth, excluding dividends and repurchases, of at least 10 percent per year during the period 2014–2018. We will accomplish this by starting construction of at least 7,500 apartments up to and including 2018, while decreasing our overall energy consumption and increasing the proportion of customers every year that are willing to recommend us as a landlord.

We currently own and build residential properties in growth markets, mainly in Stockholm, Uppsala and Gothenburg. In Gothenburg, we also have commercial properties in attractive inner city locations. In close collaboration with the city, we are also involved in plans to ensure the right mix of companies, stores and restaurants in and around our properties.

We are self-sufficient in renewable energy, through our 64 wind turbines.

We are engaged in the areas we operate in through cooperation and support to various youth activities and organizations.

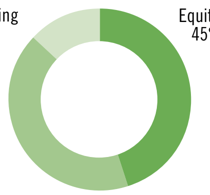
Being a leading urban developer is not only about building and constructing areas for different activities, but is first and foremost about creating new opportunities – for the people of the city.

PROPERTY VALUE 2016

37 billion

Our 205 properties are found in attractive locations in cities with high growth and strong demand. 34 percent of the floor space is found in the Stockholm business area and 66 percent is in the Gothenburg business area.

HIGH EQUITY/ASSETS RATIO



A high equity/assets ratio and a low loan-to-value ratio gives us a strong financial position and good conditions for our investment program with an investment plan of about SEK 2–3 billion annually.

TOTAL OCCUPANCY RATE, AREA

98 percent

The occupancy rate in our residential holdings amounts to 100 percent. In our commercial holdings, it is 95 percent. We own 205 properties with a total lettable area of about 1.1 million sq m. We have about 7,500 residential tenants and 1,000 commercial tenants.

VALUE CREATED THROUGH COST-EFFICIENT NEW CONSTRUCTION

SEK 1,195 million

A large part of the properties' unrealized changes in value comes from our own work with cost-efficient new construction.

NUMBER OF APARTMENTS IN PRODUCTION DEC 31, 2016

1,973

Through good advance planning and many parallel projects, we safeguard the production rate for our housing construction

NUMBER OF APARTMENTS IN OUR PROJECT PORTFOLIO, ABOUT

12,000

Our major efforts in acquiring land and land allocations for new construction have led to a large number of potential future apartments.

KEY RATIOS

	2016	2015	2014
PROPERTY-RELATED KEY RATIOS			
Rental income, SEK million	**1,607**	1,549	1,566
Net operating income properties, SEK million	**1,173**	1,130	1,127
Surplus ratio property management, %	**73**	73	72
Income from property management, SEK millions	**733**	672	592
Occupancy rate – lettable area, %	**98**	98	98
Value of investment properties, SEK million	**36,555**	32,090	28,481
FINANCIAL KEY RATIOS			
Net asset value, SEK million	**22,159**	18,630	15,964
Equity/assets ratio, %	**45**	44	41
Loan-to-value ratio, %	**43**	45	49
Average interest rate on closing day, %	**1.97**	2.22	2.56
Income from natural energy management, SEK million	**-61**	-5	-25
Profit before unrealized changes in value, SEK million	**865**	1,027	1,025
Profit after tax, SEK million	**3,348**	2,754	585
Return on equity, %	**20.9**	19.6	4.6
PER-SHARE DATA			
Profit after tax, SEK	**10.1**	8.3	1.7
Equity, SEK	**54**	45	39
Dividend, SEK	**1.70***	1.50	1.13

** Proposed dividend for the 2016 financial year.*

A number of alternative performance measures (APM) are referred to in the Annual Report. For definitions and further information see page 63.

CONTENTS

WALLENSTAM WORKS TO DEVELOP, BUILD AND MANAGE PROPERTIES IN A SUSTAINABLE MANNER

VISION

To be a leading urban developer and market-leading property owner in selected metropolitan areas.

BUSINESS CONCEPT

To develop, build, buy and sell properties that are sustainable in business and human terms in selected metropolitan areas.

GOAL

To achieve an average rate of net asset value growth, excluding dividends and repurchases, of at least 10 percent annually until the end of 2018.

GOAL 2014–2018

NET ASSET VALUE GROWTH

The growth rate in net asset value, excluding dividends and repurchases, must be at least 10 percent per year.

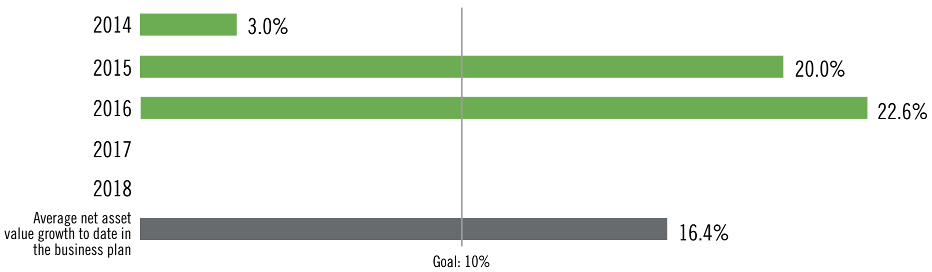
TOTAL VALUE CREATED

The Group's net asset value amounted to SEK 22,159 million (18,630) on closing day. Net asset value describes the Group's total value and includes equity and deferred tax liability. Deferred tax liability refers mainly to differences between carrying amounts and residual values for tax purposes in Group properties, and amounted to SEK 4,383 (3,540) in 2016. Net asset value growth is created by cost-efficient new construction, efficient management and letting, value-creating investments and successful business operations. Our goal measures the increase in net asset value and shows how much value we create in the entire business.

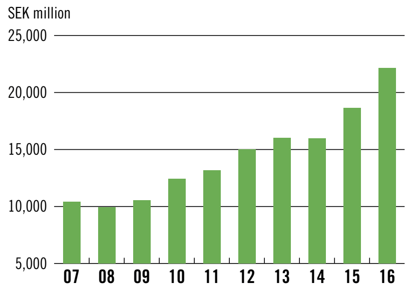
The average net asset value growth to date in the business plan amounts to 16.4 percent. Estimated net asset value growth in relation to the Group's goal amounted to 22,6 percent in 2016.

Net asset value growth during the year was mainly affected positively by more efficient property management and changes in value of properties. The positive changes in value are due to several different factors, such as successful letting operations, which resulted in higher rental income, and improved net operating income through efficient management and operational optimization. The property value is also increasing thanks to our cost-efficient new construction projects, which we are gradually adding to our property holdings. In 2016, 34 percent of the change in value was generated from our new construction projects. We strive for cost-efficiency in every part of our business, which also contributes to the strong net asset value trend. During 2016, net asset value growth was negatively impacted by the deficit in our derivatives. All in all, we can state that Wallenstam is successfully creating value and is following its plan to reach the goal.

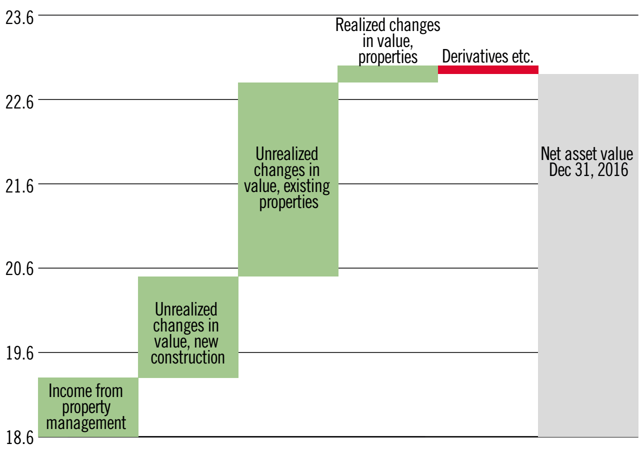
NET ASSET VALUE GROWTH



NET ASSET VALUE



NET ASSET VALUE GROWTH 2016 OF SEK 2.4 BILLION, EQUIVALENT TO 22.6%



5.6 times

The realized interest coverage ratio amounted to 5.6 times, and the equity/assets ratio was 45 percent during 2016.

We have defined two financial key ratios in the current business plan – the realized interest coverage ratio on a rolling full-year basis should not be less than two times, and an equity/assets ratio of at least 30 percent.

GUIDING PRINCIPLES 2014–2018

RESIDENTIAL PRODUCTION

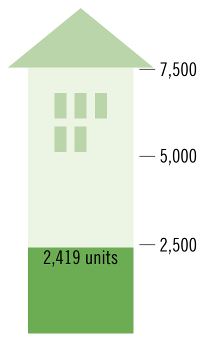
To start production of 7,500 apartments.

7,500 APARTMENTS

Housing is in very short supply in our regions. Through our new construction, we want to make it possible for more people to get their own home and create value for the community, our customers and our shareholders. We are primarily a cost-efficient rental apartment producer but we adapt forms of tenure to what is possible and requested in each individual project. Housing construction is work that requires endurance and good advance planning due to the long processes involved. It is natural that the number of annual apartment starts is lower at the outset of the business plan, and higher towards the end. We continually work to accelerate the processes in projects so we can begin construction, and to fill our project portfolio with potential new projects. We currently have about 12,000 apartments in our project portfolio.

During 2016, we started construction of 843 apartments, of which 324 were in the Stockholm business area and 519 in the Gothenburg business area.

NUMBER OF APARTMENT CONSTRUCTION STARTS IN THE BUSINESS PLAN



REDUCE CARBON FOOTPRINT

To reduce the carbon footprint in the property holdings by 15 percent per sq m by the end of 2018.

REDUCTION OF 15 PERCENT

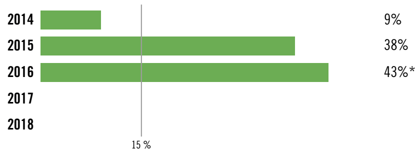
Our guiding principle of reducing the carbon footprint in our properties reflects our environmental responsibility and also contributes to reduced operating costs. We have been self-sufficient in renewable energy from our own wind turbines since 2013, where electricity production covers our own and tenant needs for renewable energy on a monthy basis.

The heating of a property represents a considerable part of a property's energy usage. Only three properties in our holdings are heated using fossil fuels. 53 percent of our heating supply comes from renewable energy sources.

Our carbon footprint mainly comes from district heating. The work to reduce our carbon footprint occurs in several ways, such as optimized operations, improved technical installations with modern heat exchangers powered by internally produced carbon-neutral electricity, and by replacing fossil fuel with greener technology.

During 2016, the carbon footprint in our property holdings decreased by 8 percent per square meter. The reduction was 43 percent per square meter in terms of the overall business plan. This result includes the effects of our energy conservation initiatives as well as climate effects, e.g. in the form of mild winters. In addition, the overall carbon footprint was impacted by gradually adding our recently built, energy-efficient properties to our holdings.

REDUCED CARBON FOOTPRINT/ SQ M, %



* Estimated value of actual impact.
Shows total improvement from the start of the business plan.

TENANT RECOMMENDATIONS

The proportion of tenants willing to recommend Wallenstam should increase annually.

INCREASE EVERY YEAR

As a major landlord, we have a significant impact on people's everyday lives – at home, at work or perhaps both. It is important that our customers are happy and satisfied with their apartment or premises, and we conduct annual surveys among our tenants to find out their opinions, needs and wishes. We use the results to identify and prioritize areas for improvement, which are important for our customers. Over the years, tenants' responses and views have led to a number of concrete improvements, for example renegotiated supplier contracts for better cleaning of stairwells, new playground equipment and central customer service, which improved accessibility and service levels, with increased customer satisfaction as a result. The proportion of residential tenants that are willing to recommend Wallenstam as a landlord rose sharply for several consecutive years but fell slightly in 2016. Among commercial tenants, the proportion of tenants that are willing to recommend Wallenstam as a landlord increased. Read more about our customer surveys on page 47.

MORE CUSTOMERS RECOMMENDING WALLENSTAM

	Tenants Residential	Tenants Commercial
2014	✓	✓
2015	✓	✗
2016	✗	✓
2017		
2018		

COMMENTS BY THE CEO

When I took over as CEO after my father Lennart 25 years ago, Wallenstam's total market capitalization was just over SEK 2.2 billion. Just a few months later, what is today known as the 90s crisis was a reality, and the total market capitalization had fallen to under SEK 100 million. I pondered the question "will we ever get back to SEK 2.2 billion?". Today the company's market capitalization is about SEK 24 billion, and profit before tax in 2016 was SEK 4.2 billion. This provides a bit of perspective about the times I have had the privilege to experience and how exciting the future looks.

Performance 2016

Net profit for the year clearly shows that the business is performing very well. I would particularly like to highlight the fact that income from property management increased by 9 percent to SEK 733 million and that unrealized changes in value generated through our cost-efficient new construction increased to SEK 1,195 million. All in all, this is value of SEK 1.9 billion this year, created by the organization itself.

It feels resassuring that even in periods without general increases in value, we create profits, partly from management and partly from our project operation, which mainly consists of our cost-efficient new construction of rental apartments.

Net asset value growth was about 23 percent in 2016! Our goal in the business plan is to achieve average net asset value growth of at least 10 percent per year. Net asset value, which describes the Group's overall value, increased by more than SEK 3.5 billion. Net asset value per share, excluding derivatives (EPRA NAV), rose by 20 percent from about SEK 58 to about SEK 70.

Naturally it is also positive that the property market is becoming even stronger. Apart from our own efforts, this is contributing to large increases in value in our other investment properties. Our concentration strategy, focusing on commercial properties in desirable locations in central Gothenburg, and residential properties in attractive locations in the growth regions Stockholm, Uppsala and Gothenburg, feels completely right as demand is strongest in these markets.

We have developed a business model and method that are working very well. We have extremely capable and dedicated employees who are working hard to create value for the company and shareholders, and also for our customers and society at large. I am grateful and proud – without our employees this great result would not have been possible.

Cost-efficient construction generates surplus value

Wallenstam differentiates itself by managing both commercial premises and rental apartments, and also by the fact that we are Sweden's largest private urban developer that is building rental properties for our own management. We create surplus value by constructing properties in a cost-efficient way throughout the entire process, from zoning plan to occupation. Meanwhile, we put quality first, particularly in light of the fact that we are building for our own management.

So far in the business plan, we have started construction of 2,500 apartments, most recently 150 apartments in Umami in Sundbyberg, a very exciting area with huge potential. We also started the demolition of Arla's old factory in Kallebäck, Gothenburg, where we are going to build 2,000 apartments in total. One of our guiding principles is to start production of 7,500 apartments during the business plan, which means we are increasing our investment rate – SEK 2 billion in 2016 – and the number of construction starts each year. We are looking forward in the next few years to start construction and complete many more of the projects that are in our project portfolio right now for future production.

Well-equipped

In 2016, in my comments on the company's quarterly reports, I touched on the risks that may affect the property sector, such as financing risks linked to financial turbulence and the interest rate situation, the intensive willingness to invest in real estate, which has made properties expensive to buy and the trend in co-op apartment prices. When I now sum up the year, I can also confirm that Wallenstam continues to be well-equipped to meet these and other challenges.

The Swedish population is increasing. At year-end, Statistics Sweden announced that we now have 10 million inhabitants. The urbanization trend including large inflows of people to metropolitan areas is continuing. There is infinite demand in our regions for our primary product, new rental apartments. In particular, we see this in our recently launched queue for letting of newly constructed rental apartments in Stockholm and Uppsala, which means we are confident that we will let the apartments. In those few projects where we are building cooperative apartments, we can quickly convert them to rental apartments, at a reasonable yield if the cooperative apartment market should weaken.

By cost-efficiently building new properties, we are continually generating surplus value even if market conditions change and the general unrealized increases in value should fall or not materialize. In the same way, our concentration strategy helps to reduce the negative effects of such a scenario, since the location of properties is extemely important for the value. Our commercial holdings are concentrated in desirable locations in Gothenburg city center and our residential properties are found in attractive areas where people want to stay and live, in the growth regions Stockholm, Uppsala and Gothenburg.

Our strong financial position, 45 percent equity/assets ratio and 43 percent loan-to-value ratio, protects us against market changes, for example a rise in interest rates. We also have a good mix of different types of financing for our business, mainly bank loans, but also commercial paper and bonds.

We handle concerns about spiralling new production costs through our method of working in the construction process and by offering our partners work both in economic upturns and downturns and over a long period, which makes us a popular and secure client.

Sustainable enterprise

In October, Wallenstam received the Swedish Renewable Energy Award 2016 for its comprehensive investments in renewable energy. Becoming self-sufficient in renewable energy was a decision taken in the early 2000s, aimed at increasing the Group's control of its own electricity expenses and its climate impact. In 2013, we reached the goal, and became the first property company in Sweden to be self-sufficient in renewable energy. Today the practical and day-to-day work in the environmental and energy area occurs in all parts of the business, for example through operational optimization in existing property holdings and our strict energy efficiency requirements during new construction.

Another award, which we received for the second time in 2016 and that I am proud of is the Kundkristallen prize (Customer Crystal) in the "biggest boost in the service index" category, where private and municipal property companies compete on service and quality. In recent years, we have worked diligently on placing even more focus on our tenants, for example, through the introduction of a central customer service function, expanded opening hours and security measures. We are continually working on improving our performance and on creating even more secure and attractive housing for our tenants.

The economy and business sector are performing really well in the regions we operate in, and as a property owner and Sweden's largest producer of rental apartment buildings for own management, we are contributing to employment when new properties and areas are built. We carefully develop our properties and areas to ensure that our residential tenants are happy and that conditions are right for our commerical tenants' operations. Meanwhile, there are social challenges we all need to help with. With the prevailing housing shortage, I would like to suggest that the greatest social contribution we can make is to continue building so that more people can get their own home. Having a home is an important basis in creating security for an individual and for social inclusion. As a company, we also contribute in many other ways, for example by supporting organizations that work against social exclusion and organizations that help vulnerable children and young people.

Everything we achieve is based on the efforts of our employees, and as a company it is important that we can offer a good working environment, stimulating work and a positive climate. We promote health initiatives in relation to food and exercise. Overall, from our own measurements, we see great commitment, good job satisfaction and a high level of healthy attendance among staff.

Secure and stable share

It is fantastic that so many people are choosing to invest in Wallenstam. Now we have more than 13,000 shareholders, more than ever before. The Wallenstam share rose in value again during the year, by more than 4 percent from SEK 68.00 to SEK 70.90. During my 25 years as CEO, the share has fallen in value on two occasions year-on-year, otherwise it has actually increased in value every year. The Wallenstam share is secure and stable, with a very exciting future. As a company, we work according to the established plan and goals, and we want to be perceived as predictable. Through the dividend, where the Board is also proposing an increase this year, we shareholders receive part of the company's profit growth.

Exciting future

I would like to thank the Board, shareholders and my colleagues for the past year, and I look forward with great anticipation to an exciting 2017. A year when we will work to become even better and more efficient. A year when we will complete our first project – and open a new office – in Uppsala. A year when we will replenish our project portfolio, start more construction projects and let all the apartments, more than 1,000 units, which will be ready for occupation. The future feels very exciting despite the external risks that may exist!

2016 was a very good year for the company – but 2017 has the potential to be even better!

Hans Wallenstam
CEO

Umami Park, Sundbyberg

COMMENTS BY THE CHAIRMAN

I am delighted to note that Wallenstam has reported another successful year. In 2016, the company's business model and long-established concentration strategy showed their strength and potential, both right now and for the future.

Strategic choices

The well-dimensioned mix of residential and commerical properties in Stockholm, Uppsala and Gothenburg, that characterizes Wallenstam is a key success factor.

The property holdings have been gradually modernized and concentrated over time, which has resulted in a stable base, providing room to grow, accept challenges and develop through a continually rising volume of new construction projects.

The composition of the portfolio is the result of a deliberate strategic choice, which was made several years ago and that has proved to be more correct than ever during the past year.

Financial performance

During 2016, transaction volume for properties set a new record – properties with a value of SEK 200 billion changed hands. Meanwhile, we are currently in a situation where long-term interest rates and inflation are both rising, while GDP growth is perhaps in danger of slowing down. These circumstances are having a major impact on the Swedish property market and also mean that some companies need to adjust their business model. Here, in the midst of all this, Wallenstam is stable with a clear strategy and a positioning, which I am not afraid to say, will remain good for a long time to come. I can quite clearly state, based on the market performance, that rental apartments are now much more attractive than ten years ago.

Active developer

Wallenstam currently has a large and extensive business to manage and develop. It takes time to build up a project organization like we have done. It does not happen overnight but requires patience, commitment and a long-term approach in order to attract the right employees and handle the type of large-scale development projects we are working on.

The housing situation in our markets poses a huge challenge. Demand for apartments in our regions is almost insatiable and Wallenstam's entire organization is working deliberately to help the city grow through good property management and efficient new construction.

Financial stability

A large part of Wallenstam's stable base, apart from professional staff and good financial control, is the company's quite extraordinary financial soundness. With this as a foundation, there is potential to further develop the company based on the established plan.

We live in a changing world with circumstances that we cannot ourselves influence. World politics, the global economy, wars and crises will affect us in one way or another and are things we will have to adapt to. I believe that we have taken the decisions and precautionary measures required. I am looking forward to 2017 with great confidence as our model and strategy will "pay off" for several years to come.

Corporate governance

During the year, we gained a new competent and experienced Board member in Karin Mattson Weijber, who replaced Erik Åsbrink early in the year. I see the benefit of not having more Board members, as our work today is very efficient, informative and provides us with a good basis for decisions on important strategic questions.

The Board work is characterized by open, pleasant and trustful collaboration with opportunities for all possible questions and comments. As the Board had a partially new composition this year, we chose to conduct an internal evaluation, which confirmed that the Board believes that the work is functioning very well and that the competencies meet the demands that may be imposed in the kind of business we operate.

Business plan 2018

Our new construction of apartments is now even more efficient than before and I am convinced that it will be our key success factor in the current period's business plan – combined with our quite exceptional management operations, which form the heart and soul of the business.

In light of the above, and a well-executed performance in 2016, the Board has resolved to propose a dividend of SEK 1.70 per share to the Annual General Meeting, which is an increase compared to the previous year. The Board proposes that the dividend be spread over two payment dates. This provides an incentive for long-term ownership and more uniform cash flow.

Outlook – to let the city grow

Wallenstam's future looks bright. If I look at the main areas we are active in, it is very satisfying to reflect over how many new cranes are sticking up in the air. And how new residential areas come about and help cities grow.

Over the past 5-10 years, entirely new districts have sprung up that were not there before. In relation to the prevailing strong demand, I can very happily state that Wallenstam and other developers participated in creating and contributing to this growth along with the municipalities concerned.

Good potential

By way of conclusion, I would like to thank the Board, management, CEO and staff for their phenomenal performance in 2016 and I think the potential looks just as good for 2017.

Christer Villard
Chairman of the Board

BOARD OF DIRECTORS

CHRISTER VILLARD

Chairman
Born 1949, Bachelor of Laws
Board member since 1995.
Previous experience from various executive positions e.g. CEO of Aragon Fondkommission, Hägglöf and Ponsbach Fondkommission AB, Kaupthing Bank Sverige AB, Retriva AB and Vice CEO at Götabanken and World Bank advisor to the governments of Lithuania and Indonesia.
Other assignments: inter alia, Chairman of ACCVI AB, Drottningholms-teaterns vänner, Länsförsäkringar Stockholm and Stockholms Köpmans-klubb. Board member of AB Segulah, G Hamiltons familjestiftelse, Fagerbergs stiftelse in Stockholms Borgerskap, Stiftelsen Drottningholms Slottsteater and Länsförsäkringar AB.
Shareholding in Wallenstam: 163,000 B shares*.

ULRICA JANSSON MESSING

Vice Chairman
Born 1968, upper secondary qualification in social science.
Board member since 2008.
Previous experience as a member of parliament and cabinet minister at the Ministries of Employment, Culture and Enterprise, and from positions at Hassela care homes.
Other assignments: inter alia, Chairman of Astrid Lindgrens Värld AB and the Port of Gothenburg. Board member of Länsförsäkringar Fondbolag.
Shareholding in Wallenstam: 301,474 B shares*.

AGNETA WALLENSTAM

Board member
Born 1952, educated in theology, ethnology, archaeology and social anthropology. Master of Cultural Anthropology.
Board member since 2010.
Previous experience working as a pastor and parish director for a number of parishes since 1987.
Other assignments: inter alia, Pastor, Bethlehem Church, Gothenburg Board member at the Refugee Mission in Gothenburg and Ulla och Lennart Wallenstam stiftelsen. Trustee of Sparbanksstiftelsen Alingsås.
Shareholding in Wallenstam: 22,204,000 B shares.

ANDERS BERNTSSON

Board member
Born 1954, Bachelor of Laws
Board member since 1997 (Deputy 1981–1996).
Previous experience working at Handelsbanken AB and as Vice CEO at Wallenstam AB 1979–2006 and a number of other board and consultancy assignments related to the property and construction industries.
Other assignments: inter alia, Chairman of POR MI CUENTA GROUP AB.
Shareholding in Wallenstam: 20,100,000 B shares*.

KARIN MATTSSON WEIJBER

Board member
Born 1972, Master of Science in sociology (human resources specialist)
Board member since 2016.
Previous experience including as chairman of the Swedish Sports Confederation deputy membership manager of the Federation of Swedish Farmers.
Other assignments: inter alia, Chairman of WCR 2019 Jämtland/Härjedalen AB, Flyinge AB, Ridskolan Strömsholm AB and Prins Carl Philips och Prinsessan Sofias Stiftelse. Board member of Folksam Sak, Frösö Park Fastighets AB, ENGSO (European Non-Governmental Sports Organization), Astrid Lindgrens Värld AB, Mittuniversitetet, OK Ekonomisk Förening with Subsidiaries and Svenska Hockeyligan AB.
Shareholding in Wallenstam: 500 B shares.

** Including family members.*
The information refers to the year-end status.

GROUP MANAGEMENT

HANS WALLENSTAM

CEO, Wallenstam AB
Born 1961, employed since 1986
Education: Bachelor of Science (Economics)
Previous executive positions at Wallenstam:
Finance Director, CEO Wallenstam i Göteborg AB.
External assignments: Honorary Consul for Portugal in Gothenburg and Board member of Ulla och Lennart Wallenstam stiftelsen.
Shareholding in Wallenstam:
34,500,000 A shares, 47,150,000 B shares* and 100,000 synthetic options.

SUSANN LINDE

CFO and Head of Investor Relations
Born 1979, employed since 2001
Education: Bachelor of Science (Economics)
Previous executive positions at Wallenstam:
Group Controller.
Shareholding in Wallenstam:
101,780 B shares** and 60,000 synthetic options.

AUDITOR

Harald Jagner, Auditor, Born 1971, Authorized Public Accountant, Deloitte AB. Re-elected auditor in 2016. Other assignments: inter alia, Serneke, Surahammars Bruk, Voestalpine Precision Strip, KVD Kvarndammen gruppen, Skeppshypotekskassan and Jeppesen Systems.

Pernilla Lihnell, Deputy auditor, Born 1969, Authorized Public Accountant, Deloitte AB. Re-elected deputy auditor in 2016. Other assignments: inter alia, Viskaforshem, Fristadsbostäder, Industribyggnader i Borås, Borås Djurpark and Borås kommuns Parkerings AB.

*The above information refers to the year-end status. * Including shares held via companies and family members.** Including family members. *** Including shares held via companies.*

ULF EK

Finance Director
Born 1949, employed since 2004
Education: MBA
Previous executive positions at Wallenstam: Finance and Public Relations Director
External assignments: Board member of Länsförsäkringar in Gothenburg and Bohus County.
Shareholding in Wallenstam: 76,000 B shares and 60,000 synthetic options.

MATHIAS ARONSSON

Vice CEO of Wallenstam AB in charge of the Stockholm and Uppsala business area
Born 1972, employed since 1996
Previous executive positions at Wallenstam: CEO Wallenstam Stockholm AB, Regional Director Stockholm Wallenstam Bostad AB, CEO Wallenstam Bostad AB.
External assignments: Board member of Nordisk Byggdag.
Shareholding in Wallenstam: 269,000 B shares and 100,000 synthetic options.

ELISABETH VANSVIK

Communications Director
Born 1970, employed since 2002, Education: M.A., Media and Communications Science
Previous executive positions at Wallenstam: Head of Communications, Communications and HR director.
External assignments: Board member, Barn i Nöd.
Shareholding in Wallenstam: 7,000 B shares and 60,000 synthetic options.

THOMAS DAHL

Vice CEO Wallenstam AB in charge of the Gothenburg business area
Born 1961, employed since 1988, Education: Management Law
Previous executive positions at Wallenstam: Head of Property at Wallenstam i Göteborg AB, Property Director at Lennart Wallenstam Byggnads AB, Public Relations & Marketing Director, CEO Wallenstam Företag AB. **External assignments:** Member of nomination committee for Fastighetsägarna Gothenburg region.
Shareholding in Wallenstam: 425,150 B shares*** and 100,000 synthetic options.

THE WALLENSTAM SHARE

We create our own value growth primarily through cost-efficient new construction projects and our project portfolio provides the opportunity for a good overall return for our shareholders. Our strong financial position with a low loan-to-value ratio and high equity/assets ratio contributes to the low risk profile of our share.

Market capitalization

Wallenstam's B share has been listed since 1984 and is on the Large Cap segment of Nasdaq Stockholm. The market capitalization on closing day was SEK 24,106 million (23,120) based on the number of registered shares (A shares and B shares).

Share capital and owners

Wallenstam's share capital amounts to SEK 170 million distributed among 34,500,000 class A shares (ten votes per share) and 305,500,000 class B shares (one vote per share). 11,000,000 B shares were repurchased as of closing day. The number of outstanding shares, i.e. the number of registered shares less the number of repurchased shares amounted to 329,000,000 (331,800,000) as of December 31, 2016. On closing day, the company had 13,358 shareholders (10,648).

Trading and turnover

During 2016, 80.6 million (83.6) Wallenstam shares were traded at a value of SEK 5,436 million (5,705) on Nasdaq Stockholm, corresponding to an average value of SEK 21.5 million (22.7) per day. The average daily turnover was about 318,400 shares (332,900). In addition to Nasdaq Stockholm, where 69 percent of the share turnover took place in 2016, Wallenstam shares were also traded on Turquoise, 7 percent, and other exchanges, 24 percent.

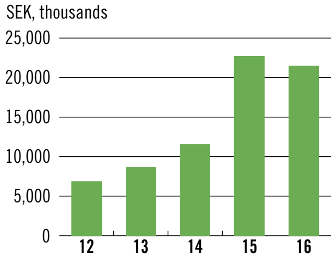
The highest price during the year on Nasdaq Stockholm was SEK 75.50 and the lowest was SEK 55.60. At year-end, the share price was SEK 70.90 (68.00), which amounts to an increase of just over 4 percent during 2016. This may be compared to the OMX Stockholm Real Estate PI and OMX Stockholm PI indices, which increased by 8 percent and 6 percent respectively during the same period.

The share had a standard deviation of 3.95 in 2016. The beta value is 0.85 in relation to the OMXC All PI index.

Repurchase

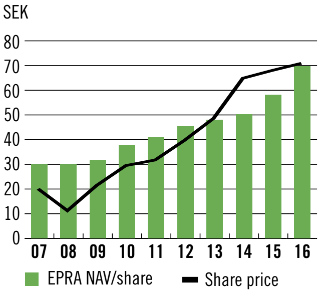
Repurchase is a shareholder-friendly measure that distributes surplus value to the shareholders. In accordance with the AGM resolution, Wallenstam is able to acquire up to 10 percent of the outstanding B shares. During

AVERAGE SHARE LIQUIDITY

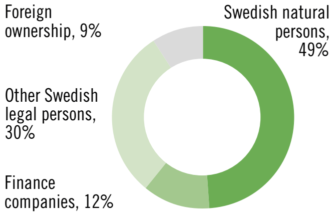


Refers to trading on Nasdaq Stockholm.

SHARE PRICE AND EPRA NAV/SHARE

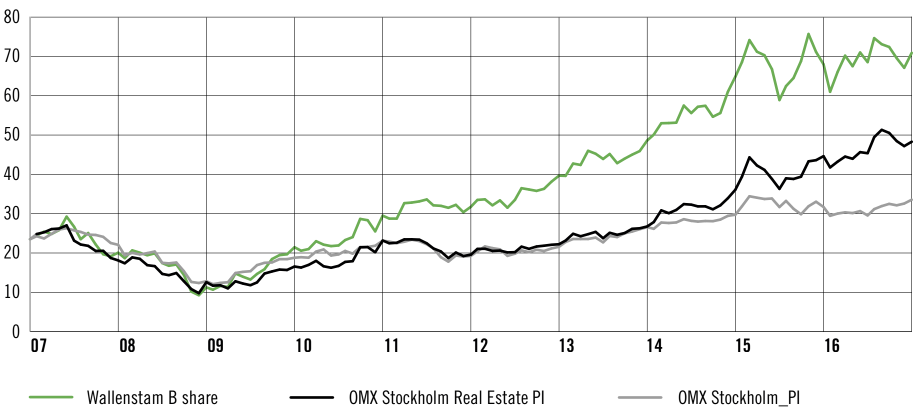


HOLDING BY OWNER CATEGORY



Foreign ownership amounted to 9% of which 5% in USA and 4% in Europe excl. Sweden.

SHARE PRICE TREND 2007–2016, SEK



SUSANN LINDE

CFO and Head of Investor Relations

"The property market is hot, partly due to the prevailing low interest environment where many players are seeking returns on their investments in the stock market and in properties. It is reassuring that we create value through our own work with profitable, cost-efficient new construction as well as efficient management and development of our existing holdings. Our strong financial position, low loan-to-value ratio and high equity/assets ratio enable us to invest about SEK 3 billion annually in projects that contribute strongly to our value creation – during 2016, a total of SEK 1.2 billion of the increase in value in properties came from new production."

"As a shareholder in Wallenstam, you receive part of our value creation and profits through a dividend, repurchases and a steady share performance. The Wallenstam share is a stable and secure share, which historically has shown a good performance, and has also delivered a maintained or rising dividend every year since 1992. On the stock exchange, the Wallenstam share has not increased as much in 2016 as some other property companies, which may be explained by a premium on risk in the stock market during the year. Owning shares in Wallenstam means investing in a long-term, value-creating company with stable growth."

2016, 2,800,000 shares were repurchased up to and including closing day. On closing day, the company held a total of 11,000,000 treasury shares, repurchased at an average price of SEK 59.33 per share.

Net asset value

Net asset value on closing day amounted to SEK 22,159 million (18,630). Net asset value describes the Group's total created value and includes equity and deferred tax liability. Our goal in the Business Plan 2018 is to achieve average net asset value growth, excluding dividends and repurchases, of at least 10 percent per year. See also page 3.

Dividends to shareholders

According to Wallenstam's dividend policy, reported profits in the first place should be reinvested in the operations for continued development of the Group's core business and thereby create increased net asset value growth in the company. The ambition is also for the operations to provide a stable level of dividends over the long term. However, the distributable amount must never exceed profit before unrealized changes in value and impairment losses after the standard tax rate. When determining the size of the dividend, consideration should be given to the Group's investment requirements, need to strengthen its balance sheet and its position in general, and the ability of the Group to develop further in the future while maintaining its financial strength and freedom of action. The Board of Directors will propose a dividend of SEK 1.70 per share (1.50) to the AGM, an increase of 13 percent, spread over two payment dates of SEK 0.85 each per share. Profit before unrealized changes in value, after the standard tax rate for 2016, is estimated at SEK 675 million and the proposed dividend is estimated to amount to about SEK 559 million.

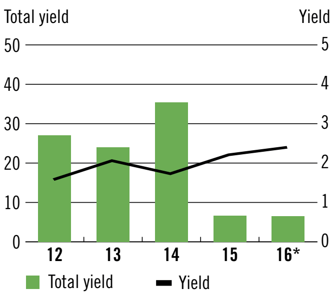
Share yield

The proposed dividend is equivalent to a yield of 2.4 percent (2.2) based on the share price at the end of the period. The share's total yield was 6.5 percent (6.6).

Information to the market

Information about the company is available at www.wallenstam.se. We also publish all of our press releases and financial reports on our website. Financial information is mainly provided in interim reports, year-end reports and annual reports. We also arrange regular conference calls and meetings with analysts, investors and shareholder representatives. The website provides access to presentations and films from the AGM and annual accounts, and a subscription function allows readers to select how they would like to receive information. We send the annual report to shareholders who so request.

DIVIDEND YIELD, %



PER-SHARE DATA, SEK

	2016	2015	2014
Profit after tax	**10.1**	8.3	1.7
Equity	**54**	45	39
Share price	**70.90**	68.00	64.85
Dividend	**1.70***	1.50	1.13

*Proposed dividend

SHAREHOLDINGS, DECEMBER 31, 2016

	A shares	B shares	Equity, %	Votes, %
Hans Wallenstam and family, and company	34,500,000	47,150,000	24.01	61.32
AMF – Insurance and funds		27,268,704	8.02	4.26
Agneta Wallenstam		22,204,000	6.53	3.47
Anders Berntsson and family, and company		20,100,000	5.91	3.14
Henric Wiman and family		12,112,328	3.56	1.89
Bengt Norman and company		8,390,000	2.47	1.31
Monica and Jonas Brandström		7,754,171	2.28	1.21
Christian Wallenstam		5,900,000	1.74	0.92
David Wallenstam		5,640,000	1.66	0.88
Other owners		137,980,797	40.59	21.60
Total number of shares	**34,500,000**	**294,500,000**		
Repurchased shares*		11,000,000	3.23	
Registered shares	34,500,000	305,500,000		
Total registered shares	**340,000,000**		**100.00**	**100.00**
Total outstanding shares	**329,000,000**			

The proportion of institutional ownership amounted to around 14 percent of equity and around 7 percent of the votes.
Foreign ownership amounted to around 9 percent of equity and around 5 percent of the votes.

Source: Euroclear Sweden AB * Repurchased own shares lack voting rights. They receive no dividends either

SHARE CAPITAL DEVELOPMENT

Year	Issue	Change in share capital, SEK	Share capital, SEK	Number of shares	Nominal value, SEK
1960	Original capital		200,000	200	1,000
1984	Bonus issue 9:1	1,800,000	2,000,000	2,000	1,000
1984	Split 1000:1		2,000,000	2,000,000	1
1984	New share issue 1:2 to SEK 32	1,000,000	3,000,000	3,000,000	1
1986	Bonus issue nom. SEK 1 to 10.	27,000,000	30,000,000	3,000,000	10
1986	New share issue 1:3 to SEK 75	10,000,000	40,000,000	4,000,000	10
1987	Bonus issue 1:1	40,000,000	80,000,000	8,000,000	10
1995	New share issue in kind to SEK 43	109,302,320	189,302,320	18,930,232	10
2000	Redemption of shares	-9,396,690	179,905,630	17,990,563	10
2001	Reduction	-7,376,200	172,529,430	17,252,943	10
2002	Reduction	-11,363,000	161,166,430	16,116,643	10
2003	Reduction	-13,115,000	148,051,430	14,805,143	10
2004	Reduction	-10,051,430	138,000,000	13,800,000	10
2005	Split 5:1		138,000,000	69,000,000	2
2005	Reduction	-7,000,000	131,000,000	65,500,000	2
2006	Reduction	-3,000,000	128,000,000	64,000,000	2
2007	Reduction	-4,000,000	124,000,000	62,000,000	2
2008	Reduction	-6,000,000	118,000,000	59,000,000	2
2011	Split 3:1		118,000,000	177,000,000	0.67
2011	Reduction	-3,333,333	114,666,667	172,000,000	0.67
2012	Bonus issue	57,333,333	172,000,000	172,000,000	1
2013	Reduction	-2,000,000	170,000,000	170,000,000	1
2015	Split 2:1		170,000,000	340,000,000	0.50

INVESTING IN WALLENSTAM

Stable return at a low risk

Wallenstam stands for long-term value creation and has a strong financial position with a high equity/assets ratio and low loan-to-value ratio. Historically, the share has displayed a good performance, delivering a stable return. The dividend has been at a maintained or higher level since 1992.

Offer the desired product in selected growth markets

We are building and managing residential properties in attractive locations in Stockholm, Uppsala and Gothenburg. In Gothenburg, we also own commercial holdings, concentrated in Gothenburg inner city. Our concentration strategy has delivered stable value growth and high occupancy rates regardless of the market climate.

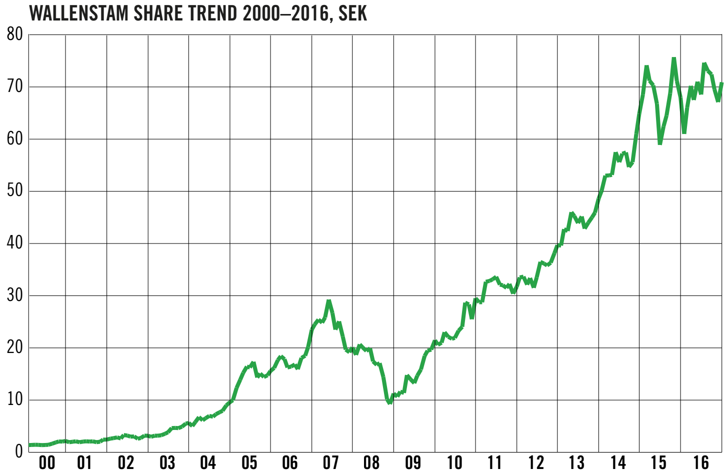
Create growth through cost-efficient new construction and efficient management

We plan future investments in new construction of about SEK 3 billion per year, and we show average value growth, thanks to cost-efficient construction, in completed projects of 30–40 percent per invested krona. Combined with efficient management and successful letting operations this contributes to value creation, through our own work, benefiting both the company and shareholders.

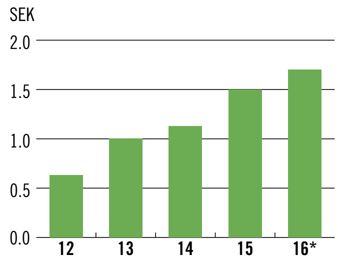
Responsible enterprise

From our long experience of property management, housing construction and of the conditions facing commercial tenants, we have good know-how about urban development to ensure a living city. We are working to contribute to a better society through environmental investments and social commitments in the places we operate in.

WALLENSTAM SHARE TREND 2000–2016, SEK



DIVIDEND

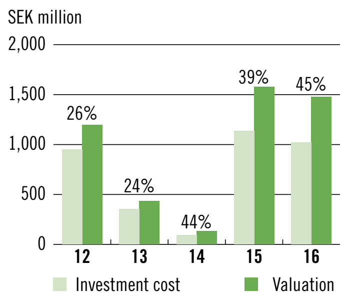


* Proposed dividend

PARAMETERS THAT AFFECT THE DEVELOPMENT OF THE COMPANY IN THE SHORT AND LONG TERM

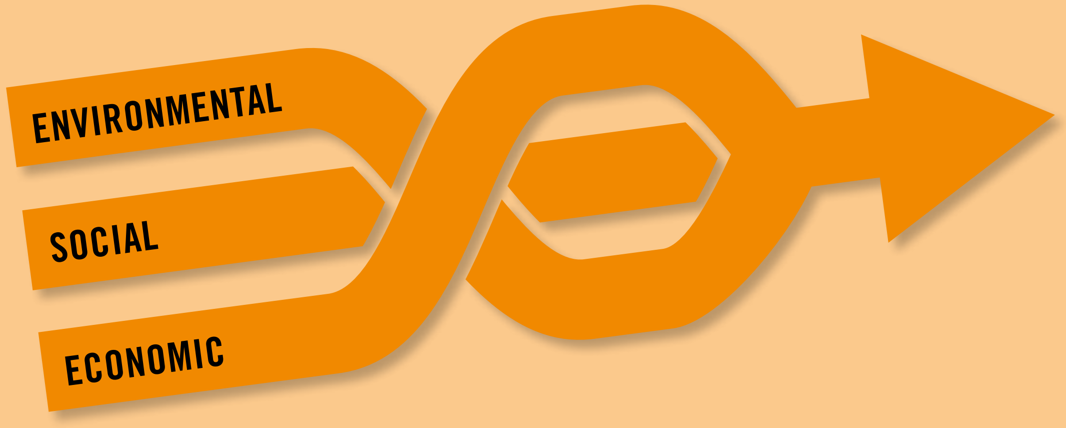
- **Attractive properties and good management** result in satisfied tenants, stable occupancy rates and rental income and good business opportunities for the company.
- **Access to land** in the right locations is essential for safeguarding construction of new homes and requires daily strategic and practical work.
- **Secure financing** because access to capital is a vital resource for the operations, and is crucial if we are to develop and expand to the desired extent.
- **Good corporate culture and competence** in order to attract and engage the right personnel are important factors for continued successful development.
- **Market situation and market conditions,** which change over time, affect property values. Properties in attractive locations where demand is high generate good returns and excellent value growth over time.

CHANGES IN VALUE, NEW CONSTRUCTION, INVESTMENT PROPERTIES



OUR STRATEGIES

Our strategies are based on the three aspects of sustainable development: environmental, social and economic responsibility.



ENVIRONMENTAL SUSTAINABILITY
We strive for long-term environmental sustainability and to reduce the environmental impact of our buildings, and to be self-sufficient in renewable energy through our own production. We are continually developing our products and services through commercial and environmentally-efficient property management and construction.

SOCIAL SUSTAINABILITY
We contribute to a better society and take active social responsibility by building safe areas and showing respect for the individual, our customers and employees. We support vulnerable groups and contribute to active leisure and youth activities in the areas where we do business.

ECONOMIC SUSTAINABILITY
Through good business development, a flexible organization and an optimal capital structure, we meet the demands of our business environment. We create value for customers, society in general and for the company through profitable property development in the right growth markets.

CORE VALUES

Our core values – progress, respect and commitment – describe our fundamental values. They guide our work and strengthen the organization's team spirit and our overall brand. They show what we stand for and how we would like to be perceived by shareholders, customers, the general public, politicians and other decision-makers.

VALUE-CREATING FACTORS

Wallenstam's value-creating factors consist of a dynamic business process in which sustainable living, urban development and profitable property management form the basis for value growth and continual development of the company. In combination with strategies, goals, guiding principles and firmly-established core values, we drive and develop our business in a manner that creates value for owners, customers, employees, investors and other stakeholders.

FINANCIAL STRATEGY

Access to capital is a basic requirement for building, developing and owning quality properties. Financing expenses, borrowing and cash management combined with financial risk management are central issues.

Finance policy

Our finance policy is laid down by the Board of Directors and reviewed annually. It aims to limit the company's financial risks, which consist chiefly of liquidity, refinancing and interest risks. The company's short- and long-term supply of capital should be secured by adapting the financial strategy to the company's operations. Read more about the opportunities and risks in financing on page 32.

Capital structure

The value of the Group's assets on December 31, 2016 amounted to SEK 39,402 million (34,566) financed partly by equity of SEK 17,788 million (15,102), and partly by liabilities of SEK 21,614 million (19,464), of which SEK 16,473 million (15,153) are interest-bearing. We strive to achieve a balance between an acceptable level of risk and a good return on equity. In the current business plan, the equity/assets ratio may not fall below 30 percent. In the prevailing market climate with high property values, we choose to have a strong financial position ahead of future investments. At year-end, the equity/assets ratio was 45 percent (44).

Available liquidity

Available liquid assets including overdraft facilities less blocked bank balances amounted to SEK 930 million (665). Approved overdraft facilities amounted to SEK 800 million (800) and EUR 4 million. The EUR credit facility is conditional on the development in the value of electricity futures on the Nasdaq. The Group also has an approved credit commitment and credit facilities of SEK 2,337 million (1,215). Available liquid assets totaled SEK 3,026 million (1,887), which means good access to credit for developing the business.

Interest-bearing liabilities

Interest-bearing liabilities mainly consist of conventional bank loans combined with interest derivatives, commercial paper with a limit of SEK 4 billion, and bond loans. The bond loans comprise a total of SEK 1,500 million, of which SEK 900 million are in the form of green bonds. Financing is secured by mortgage deeds for properties. For the bond loans and commercial paper program, no sureties are pledged, but covenants are issued, see page 104. We continually review the various forms of capital borrowing in order to adapt the structure in the best way for the company in the short and long term.

Fixed interest terms and capital tied up

Interest expense is our largest single expense item, which is mainly affected by changes in market interest rates and changing conditions in the credit market. We aim for a distribution among different lenders and different fixed terms. We are well-prepared to handle changes in interest rate levels thanks to close collaboration with our banks. The term during which capital will be tied up is assessed according to pricing and refinancing risk. The proportion of our interest-bearing liabilities with capital tied up for long terms (more than 12 months) is 8.5 percent (10.6). The proportion with long fixed interest terms amounted to 47 percent (54). At year-end, the aver-

age remaining fixed interest term was 37 months (39). The average interest rate during the year was 2.04 percent (2.32) and the average interest rate on closing day was 1.97 percent (2.22).

Interest rate derivatives

Interest derivatives are a flexible and cost effective way of extending loans with short fixed interest terms. From a cash flow perspective, the outcome over time is essentially the same as raising a loan with fixed interest. According to the IAS 39 accounting standard, interest derivatives must be marked to market. If the agreed price deviates from the market interest rate, a theoretical surplus or deficit value will arise in profit or loss. During the year, the value of interest rate derivatives fluctuated sharply. At year-end, the market value of the interest derivative portfolio amounted to SEK -970 million (-814). Unrealized changes in value do not affect cash flow and when a derivative contract matures, its market value is dissolved in its entirety and the change in value over time does not affect equity.

Realized interest coverage ratio

The interest coverage ratio measures how many times profit before interest is sufficient to pay interest expenses. At year-end, the interest coverage ratio was 4.1 times (4.4). Wallenstam opts to measure the realized interest coverage ratio, which takes into account all the realized profit (cost less selling price) from the transactions during the period. In the current business plan, the realized interest coverage ratio for a rolling full-year may not be less than 2 times. With due consideration for transactions concluded during 2016, the realized interest coverage ratio is 5.6 (6.5).

Currency policy

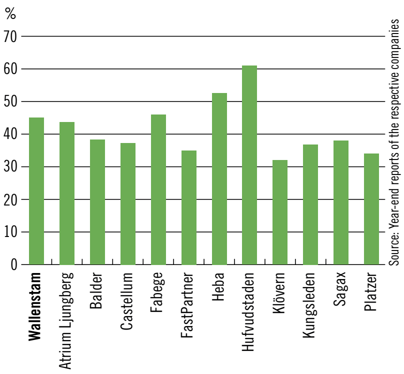
The currency policy aims to minimize currency risk, for example through hedging of currency flows.

FIXED TERMS, AVERAGE INTEREST RATES, DEC 31, 2016

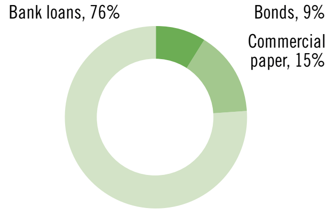
Interest maturity structure	Amount, SEK million	Average interest rate, %	Proportion, %
0–3 mths	7,321	1.45*	44.44
3 mths–1 year	1,397	1.04	8.48
1–2 years	100	1.75	0.61
2–3 years	130	2.57	0.79
3–4 years	1,000	2.66	6.07
4–5 years	1,200	3.05	7.28
5–6 years	1,500	2.48	9.11
6–7 years	1,475	2.71	8.95
7–8 years	650	3.4	3.95
8–9 years	400	2.4	2.43
> 9 years	1,300	2.04	7.89
Total	**16,473**	**1.97**	**100**

** Variable interest loans with an interest maturity within three months have an average interest rate of 0.38 %. 1.45 % includes the effect of swap agreements that mature within the three-month period.*

EQUITY/ASSET RATIO, COMPETITORS AS OF DEC 31, 2016

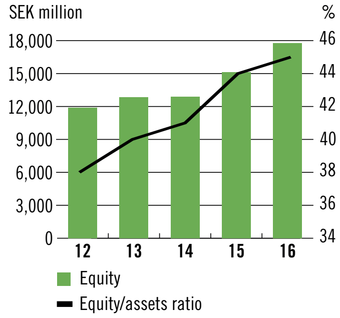


FINANCING



Interest-bearing liabilities totaled SEK 16,473 million (15,153). The loan-to-value ratio is 43 percent (45).

EQUITY/ASSETS RATIO AND EQUITY



SUSTAINABLE ENTERPRISE

We build and manage properties in a sustainable way for people and businesses in the long term. We demonstrate environmental, social and commercial commitment in everything we do and continually improve the processes and routines in our sustainability work. These efforts generate added value for the company and our stakeholders and also contribute to a strong performance in our regions.

Code of Conduct

Our Code of Conduct is based on and summarizes the policies and guidelines that govern the business. It is revised and adopted by the Board annually, and sets out the framework for conducting our work in a responsible way. Among other things, this means that we comply with laws and regulations, do not discriminate against anyone or accept any form of bribery or corruption. Our activities should be conducted with the least possible impact on the environment in order to contribute to long-term sustainable development. We take responsibility for regional and urban development by making improvements to the social environment, atmosphere and security in the areas we operate in.

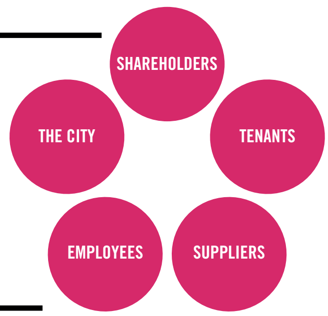
All employees receive training in and are informed about the content of the Code of Conduct to ensure that they always act according to our values – read more on page 36. In the coming years, we intend to also make a greater effort to train and inform our suppliers and contractors. The complete Code of Conduct is available at www.wallenstam.se.

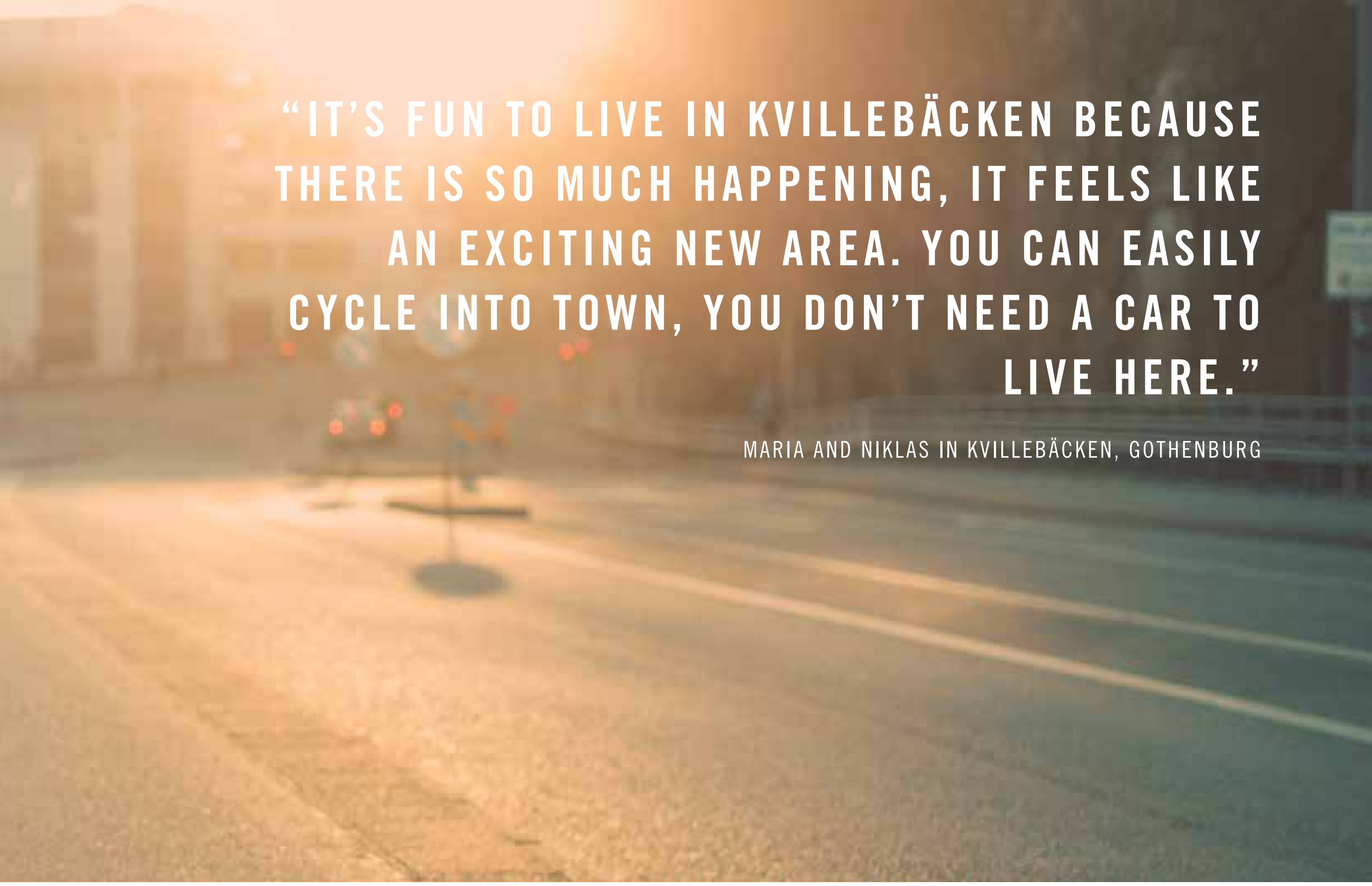
Organization and reporting

The Group Management has overall responsibility for the company's sustainability issues. Wallenstam's environmental manager is tasked with driving and further developing the company's work in the environmental and energy field within both property management and new construction. The practical, day-to-day sustainability work is carried out in all parts of the operations.

KEY STAKEHOLDERS IN OUR SUSTAINABILITY EFFORTS

Wallenstam develops areas where people want to live, work and spend time in. Long-term development requires a commitment to, and an understanding of, the three pillars of sustainability work – economic, environmental and social stability.



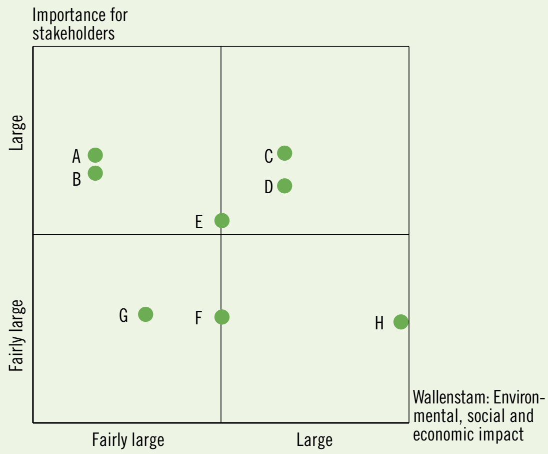


Wallenstam has reported its sustainability work every year since 2006 and in accordance with the Global Reporting Initiative (GRI) every year since 2010. We focus the reporting and our efforts on what our stakeholders consider to be most important in the sustainability field and, at the same time, what is of critical importance for our operations.

MATERIAL SUSTAINABILITY ISSUES

The diagram shows Wallenstam's material sustainability aspects and how stakeholders and Wallenstam weighted them.

A Anti-corruption
B Reduction of energy consumption in our properties
C Compliance with laws and regulations
D Non-discrimination
E Reduction of emissions into air, for example greenhouse gases
F Result of surveys measuring customer satisfaction
G Reduced water consumption in our properties
H Direct economic value generated and distributed



Our stakeholders

We meet stakeholders on a daily basis and are able to capture viewpoints and strengthen relationships between us in many different ways. Being influenced by and listening to those we meet and collaborate with plays an important part in developing as a company in harmony with our external environment. In the sustainability work, we are also mapping our stakeholders' viewpoints in a more structured way, for example, in surveys and in the form of interviews.

Our main stakeholders are customers, suppliers and partners, shareholders, employees and cities. These groups are considered to have a direct impact on our organization, and/or are directly impacted by us.

During 2015, we carried out a broad survey through a questionnaire to these stakeholder groups. We have set goals based on the outcome and have continually followed up and developed the sustainability work.

Prioritized focus areas

Based on stakeholder dialogues and materiality analysis, eight aspects have been idenfitied that Wallenstam is prioritizing, developing and following up as part of the business plan.

These aspects can be summarized in the following focus areas:

- taking active social responsibility
- helping to reduce use of resources
- investing in renewable energy sources and energy-efficient construction
- continually improving the environmental status and performance of our properties
- creating value through profitable growth.

Outcome and follow up

The sustainability work is continually in progress, like the reporting according to GRI and goal follow-up. We can confirm that our work progressed well during 2016 and we have achieved excellent outcomes. For instance, the annual average net asset value growth in the business plan to date is 16.4 percent, and the reduction in the carbon footprint in our property holdings is 43 percent per square meter, see pages 3 and 5. We also reduced energy and water use in our holdings. No deviations in relation to compliance with laws and regulations, anti-corruption and non-discrimination, were reported during the year, see page 143.

In 2016, Wallenstam received the Swedish Renewable Energy Award for the company's comprehensive investments in renewable energy. We have been self-sufficient in renewable energy from our own wind turbines since 2013.

ENVIRONMENTAL SUSTAINABILITY

To prevent serious consequences, the world's countries must start reducing emissions of carbon and other greenhouse gases as soon as possible. If we are to meet the climate targets set by the EU of a maximum increase in temperature of two degrees, current emissions must be cut by at least 60 percent by 2050. The property sector in Sweden uses a lot of energy and accounts for a large proportion of the overall carbon footprint in society, which means that it is important that all property owners take responsbility for this issue. It is also a critical issue from a financial perspective, as heating costs represent a large proportion of our total operating expenses.

We start from the assumption in our new construction and property management that buildings affect the environment throughout their life cycle. The fact that we are self-sufficient in renewable energy through our own wind turbines is one of several ways for us to reduce negative environmental impacts. Another way is to actively work on reducing the carbon footprint in our property holdings, which is one of our guiding principles in the currrent business plan.

We are careful to adhere to environmental legislation, and in this respect, we have to comply with current regulations in our construction and management operations. The regulations are aimed at several different parts of our business and include health protection, waste management and potential disruptions from properties such as noise, smoke and odours. There are also rules for the maximum energy use in the buildings we construct.

We work continually on mapping our environmental impacts, both in order to develop as a company and to meet the expectations placed on us. By actively following developments in the environmental legislation area and devoting time and resources to further training in the environmental and sustainability field, we maintain an understanding of the external requirements surrounding the business.

Reduced energy and water use

A strong emphasis has been placed on reducing the properties' energy use. When we introduce measures to improve energy efficiency, we monitor the properties' utility usage – heating, cooling, electricity and hot water in terms of demand per the hourly rate and energy consumption per month. This provides a good basis for identifying and planning energy efficiency measures. Operational optimization efforts occur continually, and larger energy saving projects are coordinated as far as possible with planned conversions. During 2016, we implemented major energy saving projects in five commercial properties, which have delivered a reduction in energy use of 15–35 percent in each property. In the entire commercial holdings, the overall reduction was more than 8 percent.

Heating water requires a lot of energy, which means that the environment benefits from less water use. Individual electricity and water metering has been standard in our new construction since 2006. Such an installation contributes to a reduction in consumption by tenants of 10–25 percent following a running-in period.

Green programs as a control tool

Our new construction is continually improved to become more energy efficient and we we often use energy-smart technology to reduce the property's energy use. There are a number of environmental programs in the market such as GreenBuilding and Miljöbyggnad ("Environmental Building"). Miljöbyggnad is a certification system with three levels: bronze, silver and gold, which may be used for both newly constructed and existing buildings. We use the environmental programs as a specification of requirements concerning energy, indoor environment and material in connection with new construction and conversions in order to achieve good quality as well as reduced energy impacts. We have chosen to certify the properties in cases where certification requirements exist from municipalities or commercial tenants, for example. Some of our newly constructed residential properties are thus certified according to level silver. We aim to achieve at least a silver rating in our new construction projects, even when we choose not to undergo the certification process. One of our properties has obtained GreenBuilding certification and a further 12 properties in our commercial holdings meet the certification requirements.

Environmental risk management

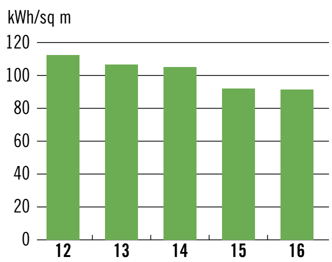
In connection with property acquisitions, we analyze any environmental risks and if necessary investigate the existence of chemicals. A review of energy use is conducted and an action plan is produced to reduce environmental impacts. Soil investigations are conducted during new construction and any soil remediation work is carried out very carefully. In the current holdings, we work systematically with investigations and produce action plans based on possible environmental risks in connection with conversion work.

New thinking

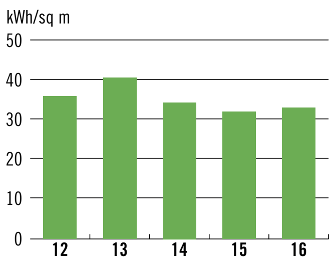
We aim for new thinking and test different possibilities to reduce negative environmental impacts, and we also inspire our tenants to embrace more sustainable living. The individual metering of electricity and water in our new construction projects is one way, while extended bicycle garages in selected properties is another example. In the Wallenstam Drive project, in collaboration with Hertz and Sunfleet we offer tenants in certain areas, advantageous prices on rental cars and carpooling, something which benefits the environment and makes life easier for our tenants.

We are already self-sufficient in renewable energy through wind power, but other production methods and possibilities are continually evaluated. One example is the use of solar cells and panels and battery storage, where in collaboration with Mälardalen University, among other partners, we are investigating how renewable energy can be efficiently stored in properties. Another example is Wallenstam's investment in Exeger Sweden AB (publ), a company that is developing the next generation of solar cells.

HEAT CONSUMPTION DEGREE-DAY CORRECTION

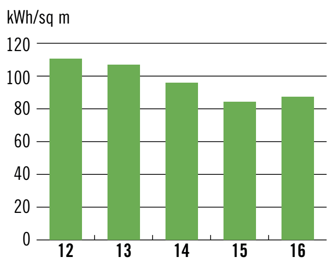


PROPERTY ELECTRICITY, TOTAL

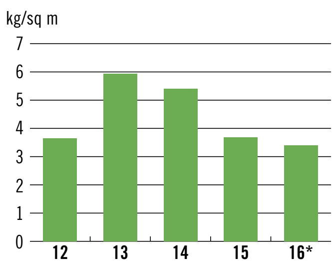


Includes consumption of electricity relating to heat pumps, see page 143.

HEAT CONSUMPTION, TIME CORRECTION

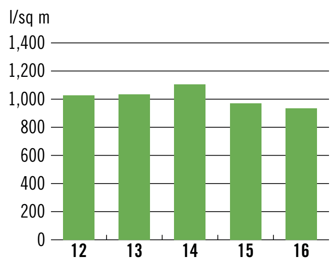


CO_2 IMPACT



* Estimated value for actual impact.

WATER CONSUMPTION



SOCIAL SUSTAINABILITY

As an urban developer, home builder and landlord, we have a major impact on people's everyday lives. Understanding, developing and contributing to society is an important part of our business, as well as conducting our work in a responsible way in accordance with applicable laws and regulations. Having a home is a fundamental need and also constitutes an important part of a functioning society. There is a huge housing shortage today, something that makes our role as a home builder and property owner even more important. We also operate in an investment-intensive sector where contracts with contractors and suppliers involve large amounts. In our view, this is accompanied by a responsibility to act ethically from various standpoints. We value healthy competition and do not accept any form of corruption, bribes or unfair methods of competition. Equality and diversity questions, as well as non-discrimination are important in Wallenstam's business, both in our internal efforts and in our role as a corporate citizen. In order to clarify internally and externally how we act in these questions, we operate a Code of Conduct, which all employees receive training in.

Social committment and support

As one of the largest players in the industry in the markets we operate in, we have both the willingness and the means to influence the local community. Our CSR (Corporate Social Responsibility) efforts are clearly linked to our core values– progress, respect, commitment – and are governed by our guidelines. We are passionate about housing and about creating the opportunity for more people to obtain their own home. We focus our efforts primarily on the areas where we operate and strive to improve security for those who live in and visit our areas, and we also aim to create added value for our tenants.

We support several organizations that combat social exclusion, as well as organizations that help children who are vulnerable in various ways. Examples include Barn i Nöd (Swedish International Help for Children), Children's Rights in Society, the Refugee Mission in Gothenburg, Gothenburg City Mission, Stockholm City Mission and Mitt Liv (My Life – diversity and integration). Several of the organizations work actively against homelessness. Through our support to e.g. the Läxhjälpen foundation, Barnens Ö and Majornas Samverkansförening, we contribute to preventive social initiatives for children and young people. For example, through Majornas Samverkansförening, young people are offered summer jobs, where they work together with our property caretakers in the area. We consider active, meaningful leisure activities to be very important for social inclusion, and we mainly sponsor popular sports with youth activities in focus. Some examples include Frölunda Hockey, Älta IF, Solberga Bollklubb and Pixbo Wallenstam. We also support organizations and events that contribute to urban development and R&D for long-term sustainability. These include Johanneberg Science Park, Julstaden Göteborg, Gunnebo Slott & Trädgårdar, Universeum and the institution of a professorial chair in property management at KTH Royal Institute of Technology.

Social contracts

We let some of our apartments to municipalities, which subsequently provide them to persons who have difficulty in getting a regular contract for various reasons. For example, this can relate to transitional accommodation or various types of sheltered accommodation and housing for new arrivals. We also contribute directly to organizations such as Vägvalet and Sida vid Sida Stockholm, which work in various ways to provide apartments for young people. At year-end 2016/2017, we had about 175 active contracts of such a social or medical nature, or apartments earmarked for students. Some of the apartments let in this way gradually change over to regular contracts.

Security for our tenants

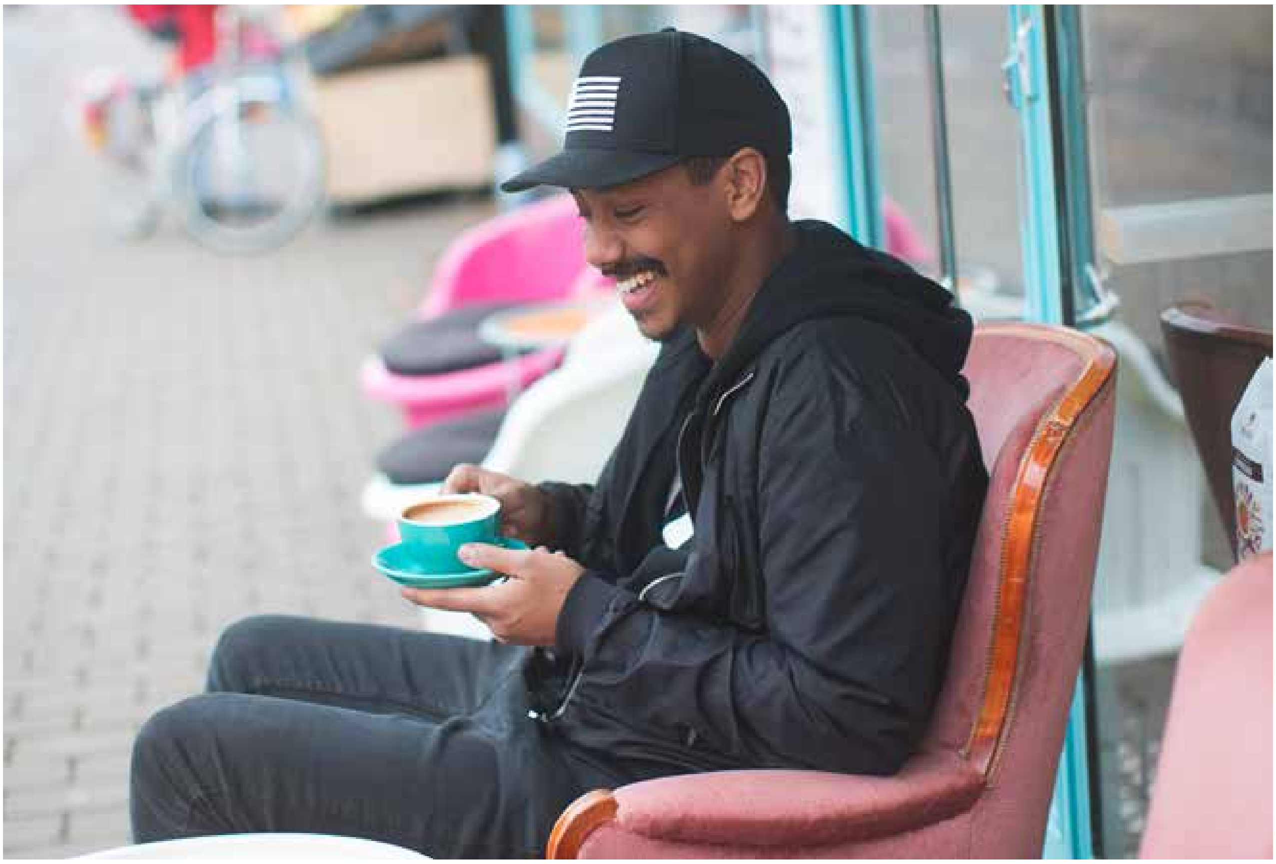
It is important that our customers feel secure and happy in their areas. The physical environment both outside and inside the property, as well as relations with neighbours and visitors in the residential area, influence tenant perceptions of security where they live. We make a number of efforts, on a day-to-day basis as part of the long-term management as well as selective measures. As a step towards improving safety and security, we have also collaborated with the Huskurage neighbourhood watch organization since 2014. They work proactively to prevent violence in close relationships through neighbourly cooperation.

ECONOMIC SUSTAINABILITY

Long-term profitability is one of the basic requirements for us as a company, where our owners want to see a return on the capital they have invested in the business. Profitability is also a requirement for sustainable development and responsible enterprise. It is important for customers to have a landlord, which is reliable, with the ability to invest in its properties, and for our employees it is important to have a stable and long-term employer – something that is not possible without reinvesting profits in the company. Our business process describes how we generate profits and build value in our entire operations that is partly distributed to shareholders and partly reinvested in the business for continued growth.

Creating value

As one of the larger property owners and urban developers as well as a major housing producer in the regions where we operate, we contribute to employment when new properties and areas are developed. We mainly build rental apartments for our own management, and provide badly needed housing to society. Through our building process and investment model we can cost-effectively produce new apartments, generating value growth for the company. We want to develop our properties and areas so that our commercial tenants' operations can thrive and grow and contribute to the attractiveness, life and pulse of the area. Value growth is created primarily through our own work in cost-efficient new construction projects and development of our existing properties. Our strong letting operations ensure low vacancy levels in our property holdings and we are focused on working as efficiently as possible. Taken together, this generates net asset value growth and by measuring this we can see how much value we create in our entire business.



OPPORTUNITIES AND RISKS

At Wallenstam, we make a conscious effort to optimize opportunities and manage and mitigate potential risk factors. Risks and opportunities that can affect the business in the short and long terms are divided into three categories: operations, external and financing.

Operations

Opportunities and risks connected to the operations refer to such matters that concern our core business as well as operational revenues and expenses.

NEW HOUSING CONSTRUCTION

Our cost-efficient new construction projects are important for value growth in the company, and they impose strict demands on the organization in terms of project planning, procurement, construction and the choice of contractor to ensure a good rate of return, quality and production volume. Each individual project is affected by access to land, the planning process, collaboration with contractors, regulatory requirements regarding design and environment, etc.

We are active in many municipalities in the regions where we have chosen to concentrate our business. These areas are characterized by growth and strong demand and we are building our new residential properties in attractive locations, where there are good rates of return and excellent value growth. Our production process is quality-controlled and cost effective. Through sound competence, an organization that focuses strongly on land acquisition and management in detail, we cost-efficiently produce housing with good supervision and value growth.

We ensure good production volume through long-term planning, working with several potential development projects in parallel and close collaboration with municipalities. We have an extensive project portfolio with a lot of building rights, including in several large urban development projects. Access to land for future construction is good and we have long-term relationships and well-established collaboration with contractors and suppliers. By deciding on the yield requirement before we start a new construction project, we can continue to produce even in the event of any changes in market conditions and interest rate levels.

RENTAL INCOME

Rental and vacancy rates in commercial properties are affected by growth in the Swedish economy and also by the volume of new construction activity. Rental income can also be indirectly affected by changed consumer behavior, for example. In the residential holdings, the setting of rents is based on the utility value system, which means that the rental rate for an apartment may not significantly exceed the rental rate for an equivalent apartment where the rent is determined by a negotiated agreement under the Tenancy Bargaining Act.

The attractive locations and high standards of our properties are factors that contribute to stable rental income and a low vacancy risk, regardless of the economic cycle. These are aspects we also prioritize in connection with property acquisitions.

Our residential property holdings are fully let and demand in our regions is much greater than supply. Residential rental income is comparatively secure and predictable.

Our commercial holdings, which are mainly located in Gothenburg, consist of flexible areas and only a few special-purpose properties. The new production rate for commercial premises is currently low despite increasing demand.

We have a lease portfolio in line with market levels and a stable customer structure with a good diversification of lease sizes. The tenant mix is good, and about one fifth of our commercial floor space is let to municipal companies, institutions and government agencies.

We are working actively on analyzing how requirements for housing, offices and retail are evolving over time and we are developing our holdings and our offering to meet changing customer needs and new consumer behaviors.

EXPENSE TRENDS FOR OPERATIONS, MAINTENANCE AND TECHNICAL RISKS

Heating of the properties represents about a quarter of Wallenstam's operating costs and is impacted by seasonal effects such as temperature and weather conditions. Costs are higher during the first and fourth quarters when heating and property maintenance expenses are affected by the cold, snowy winter months. The cost trend for maintenance expenses can be affected by e.g. changed municipal prices or unforeseen events.

About half of our residential properties were constructed or underwent reconstruction since the turn of the millennium.

The technical operation of a property is handled through day-to-day management and an individual management plan for each property. We ensure well-maintained property holdings and good cost control through dedicated work with long-term maintenance plans.

We build and renovate existing properties with energy efficiency in focus and we work proactively to encourage our tenants to reduce their own operating costs. We feel that we are able to reduce expenses by combining energy efficiency measures with the guarantee of the right level of consumption based on operating statistics from our properties. We are self-sufficient in renewable energy, which makes us less sensitive to electricity price fluctuations.

ENERGY

The annual production of wind power is affected by how windy it has been during the year. The price of electricity has a direct effect on the company's earnings and depends on a number of different factors such as the economic cycle, weather and political decisions. Depending on the economic situation, electricity price etc., the value of wind turbines may be affected. We are also exposed to a certain currency risk, mainly through electricity trading on the Nord Pool Spot and Nasdaq Commodities exchanges, as these transactions take place in EUR.

Our wind turbines are spread from Jämtland in the north to Skåne in the south, which increases our ability to achieve a maximum, even production volume. To protect our operations and reduce the impact of market fluctuations, we use financial futures contracts to hedge income from future electricity sales and electricity production. The economic impact of currency market fluctuations is reduced through currency futures contracts. Our investment in renewable energy is a long-term venture and is aimed, among other things, at achieving cost control in our property operations.

ORGANIZATION

The ability to attract and retain competent, dedicated personnel is a success factor for Wallenstam. There is strong market demand for expertise within construction/project management and administration and this is expected to increase going forward.

A good working environment, attractive and market-related working conditions and skills-enhancing training programs are beneficial for both the individual and the company. Wallenstam is an attractive employer that is well able to recruit employees with the right profile. We conduct regular employee satisfaction surveys (Employee Satisfaction Index) and have action plans in place to develop the right conditions for employee wellbeing and commitment.

External

Opportunities and risks connected to the external environment mainly exist outside of our operations, e.g. in the form of changing market conditions. These are risks that the Board of Directors and management have little ability to influence in the short term, but which must be taken into account in the strategic development of the company.

CHANGED PROPERTY VALUES

According to the accounting rules in the International Financial Reporting Standards, IFRS, the fair value of the Group's investment properties is recognized in the balance sheet and changes in value in the income statement. This has the effect of making our earnings and position more volatile. Small general changes in the yield requirement can have a major impact on earnings.

Our residential properties are in strong markets in locations where people want to live and work and where there is excellent potential for long-term, positive growth. Accordingly, we consider the risk of value volatility in our residential properties to be insignificant.

Around 85 percent of our commercial floor space is in Gothenburg and the properties are located within a one-kilometer radius of Kungsportsavenyen, the most fashionable street in the city. Having properties in attractive locations means a lower risk of falling values during weaker market conditions. The submarket is stable, with good potential for a long-term, positive development. The high standards and attractive locations of the properties also means we see little risk of property value volatility in our commercial holdings. Furthermore, our cost-efficient new construction contributes to less sensitivity to changing property values, since we generate surplus value through our new production, mitigating the effects of a possible decline in property values.

TAXES

Wallenstam is affected by political decisions linked to fiscal legislation or its interpretation such as the levels of company tax or property tax. A change in fiscal legislation or practice, for example implying additional taxes, changed possibilities relating to the right to tax deductions or the ability to use loss carryforwards, may mean that Wallenstam's future tax situation changes, thereby also affecting profit or loss.

We actively follow developments in the tax field including new decisions, interpretations of legal cases and changes to regulations, as our tax position may be affected.

The Group's largest tax expenditures consist primarily of VAT expenses – for which we have a limited right of deduction as a property company – and such items as property and energy taxes, stamp duty and personnel-related taxes and charges. Expenditures for these other taxes amounted to around SEK 550 million (455) in 2016.

ENVIRONMENT

Political decisions concerning the environment and assessments by experts and civil authorities as to what constitutes environmentally hazardous technology, materials and thresholds are constantly changing. Stricter regulatory requirements may impact our property operations, both new construction and our existing holdings. Our ownership and operation of wind turbines and electrical installations means that we conduct operations that are subject to authorization and that have a reporting duty under the Swedish Environmental Code.

We continually investigate and identify possible environmental risks in our properties. Action plans and measures are drawn up immediately should some kind of environmental risk occur e.g. in the form of PCB or radon.

We analyze potential environmental risks in connection with property acquisitions and soil investigations are conducted during new construction and also soil remediation if necessary. We contribute actively to sustainable development through our energy-efficient construction and renewable energy investments.

We are proactive in meeting new regulations in environmental legislation and in adapting to the construction standards set in relation to the environment.

Financing

The ability to develop and expand the business to the desired extent irrespective of the economic cycle depends on a secure flow of capital. We enjoy good, long-term collaboration with the major business banks, founded on mutual trust and transparency. Based on the current market situation, overall financial risks are considered to be relatively limited.

LIQUIDITY

The freedom to implement approved investments and meet payment obligations is conditional upon strong liquidity.

Wallenstam's high equity/assets ratio and good banking relationships create excellent conditions for financing current and future investments. We see no risks in our liquidity as new construction projects, major reconstructions etc., do not begin until we have secured financing. Liquidity forecasts are updated continuously with the aim of optimizing cash management.

INTEREST RATES AND REFINANCING

Interest expense is our largest single expense item. Financial risk refers to an inability to satisfy demand for new capital, which is an essential operational resource.

Our loan portfolio consists of loans with different maturities and is spread among various forms of credit and lenders. Assessment of the term for capital tied-up depends on factors such as pricing and the refinancing risk in the capital market.

We work proactively with fixed-interest terms to achieve good average interest rates and good yields on our loan portfolio. Interest derivatives are used to spread risk, protect the underlying portfolio and provide a flexible means of influencing the fixed interest terms in the loan portfolio. In light of the above approach, we consider the risk/possibility of major interest expense volatility to be limited.


Kvillebäcken 73:1, Gothenburg

SENSITIVITY ANALYSIS

Changed yield requirement for properties	SEK million
0.5 percentage points lower	41,463
0.25 percentage points lower	38,822
Our estimate	**36,555**
0.25 percentage points higher	34,586
0.5 percentage points higher	32,857

Cash flow	SEK million
Change in rental income, residential, 1 %	7.2
Change in rental income in negotiable commercial contracts, 1 %	0.8
Change in operating costs, 1 %	4.3
Change in loan interest rate, 1 percentage point (annual)	82.2
Annual wind, change 10 %	9.7
Electricity price, change 5 öre	4.7

ORGANIZATION AND EMPLOYEES

Participation in the operations creates commitment in the day-to-day work and contributes to the company's development and helps maintain good quality in every part of the organization. We take care to maintain an atmosphere where consideration is shown to employees and to offer challenges that provide individuals with the opportunity to grow in their professional role.

Attractive employer

Recruitment of the right people with the right competencies is one of the key factors for successful enterprise, as well as a pleasant workplace, which offers employees the opportunity to develop and grow along with the company. As far as possible, Wallenstam provides opportunities for advancement within the company, e.g. by always announcing vacant positions internally first. Continual skills development and challenges in the day-to-day work are other elements of a positive working environment.

In new recruitments, great importance is attached to personal characteristics and qualities, and a welcoming and effective introduction for new employees enables them to quickly become familiar with the business. There is also an introduction for new managers.

Absence due to illness during the year amounted to 3.4 percent. We have policies and well-functioning routines in place to identify ill health among our employees, and we attach great importance to the physical working environment and health-promoting activities. There are excellent opportunities for both group and individual training in fitness centers at each office, while health and wellness training is subsidized. All employees are also offered regular health checks with the purpose of promoting continued good health.

During 2013, all permanent employees in the company were invited to participate in a synthetic options scheme – a further incentive to actively contribute to value creation in the business.

Dedicated employees

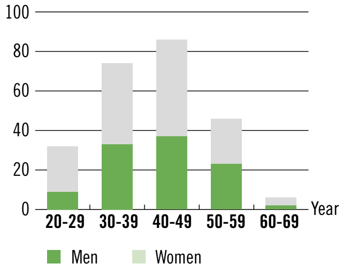
Employee performance reviews are conducted annually to support career and personal development, follow up jointly-established goals, gauge the work situation and plan future skills development efforts.

Every third year, we conduct employee surveys in the form of an employee satisfaction index (ESI) to measure employees' views of their personal work situation, the company and its management. The most recent survey was conducted in late 2015 and showed a continued high level of satisfaction, great dedication, highly-regarded leadership and confidence

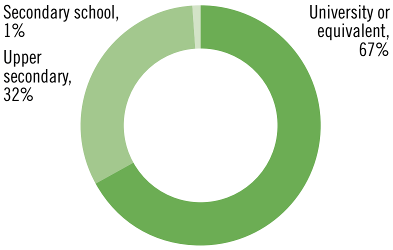
227

Wallenstam had an average of 227 employees (216) during 2016. The majority are permanent employees, with a distribution of 57 percent (57) women and 43 percent (43) men. Approximately 25 percent of the employees are based in Stockholm, and the rest are in Gothenburg. All employees are covered by the collective bargaining agreement with Fastigo.

AGE DISTRIBUTION IN THE GROUP



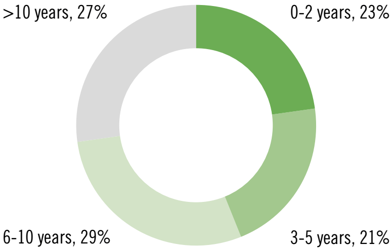
EDUCATION LEVEL

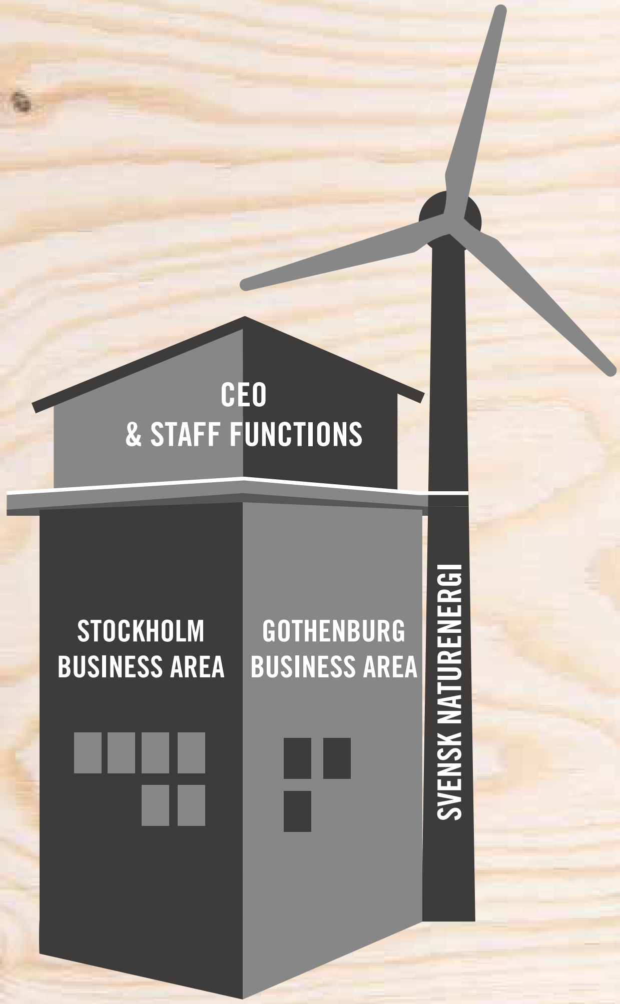


7.8 years

is the average length of employment for permanently employed personnel in Wallenstam. Absence due to illness during the year amounted to 3.4 percent. Employee turnover during the year was 7 percent.

PERIOD OF EMPLOYMENT





MANAGEMENT AND BUILDING OPERATIONS WITH A LOCAL PRESENCE
Wallenstam is organized as follows: the Stockholm business area, also including the operations in Uppsala, the Gothenburg business area, also including Helsingborg, and Svensk NaturEnergi. Property management and building operations are conducted in each business area. The local presence enables knowledge about the local property market, changes and business opportunities and provides the basis for understanding our customers' needs and businesses. Our staff, specialized in e.g. finance, law, IT, information and market, supports the operations.

CENTRAL CUSTOMER SERVICE
Our customer service is organized as a central function within the company, which enables longer opening hours and better accessibility for our customers who can reach us via the web, e-mail or cost-free phone call. Systematic work and well-developed processes ensure that cases are handled in the best way and we report back to customers during the process. Follow-up and improved routines help us in our continuous ambition to increase customer satisfaction.

PARTNER CONCEPT FOR PROPERTY CARE
Property care and maintenance are services we procure from external suppliers through a well-developed partner concept, Wallenstam Partner. Recognition and peace of mind for the customer are created by a common working method and by having the Wallenstam logo on vehicles, clothes and ID cards. Close collaboration, frequent partner meetings and visits to buildings by our own property managers on a rolling schedule are important for assuring the quality of property care.

in the management. During the year, the results were used as one of a number of tools for advancement of the company. We also conduct an annual evaluation where employees provide feedback to their manager based on a number of identified leadership qualities. The result of the evaluation is used as an individual development tool for the company's managers.

Skills development

Skills development occurs via external and internal training courses and through exchange of knowledge among colleagues.

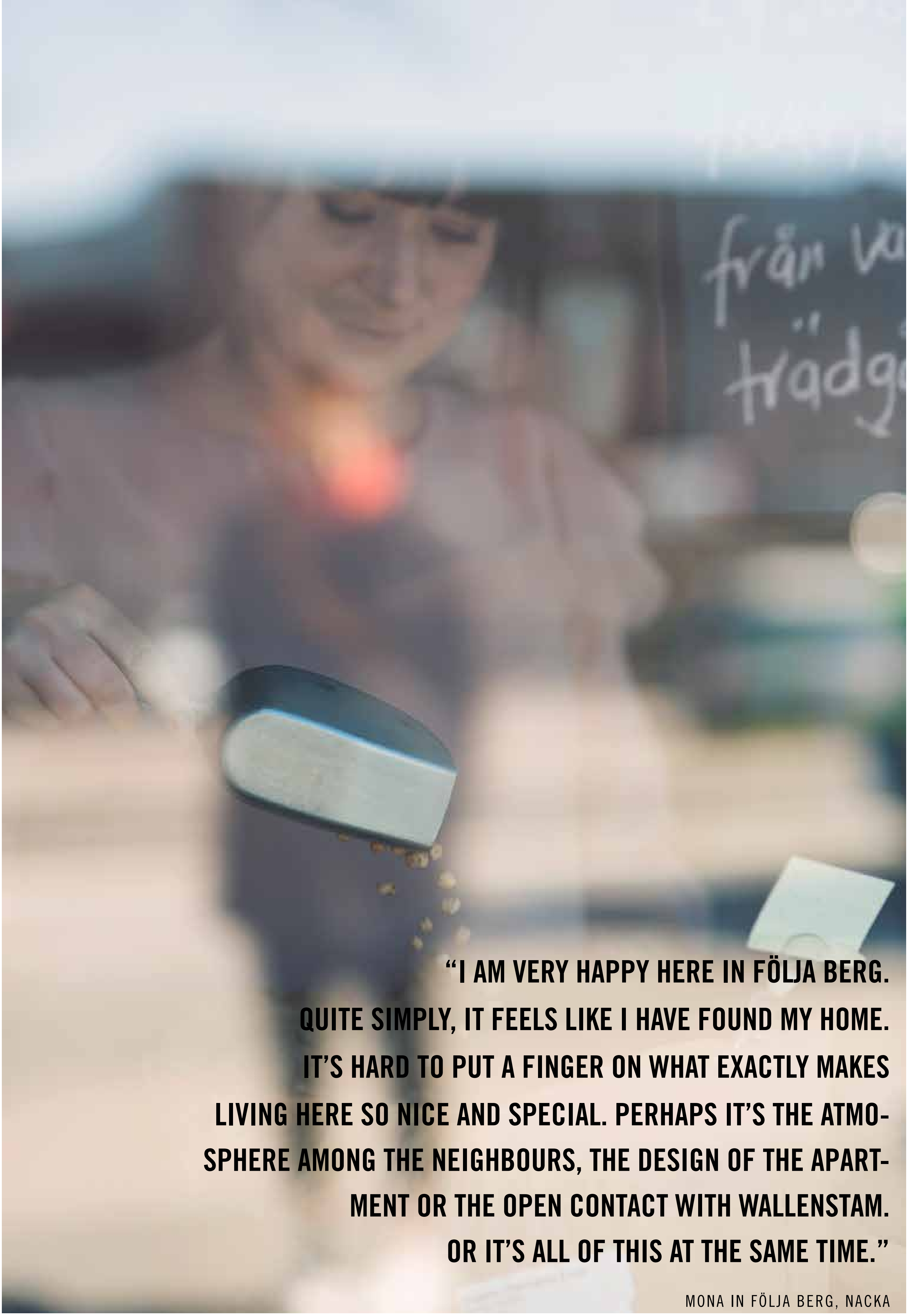
During 2016, Wallenstam's employees participated in training courses and continuing professional education in property management and operation, updates to construction rules, law and finance, among other areas. All employees were also informed about and involved in the work relating to information security, an area we had in extra focus during the year.

Code of Conduct and values

Wallenstam's long-term success depends on the operations being conducted in a responsible way. Work at Wallenstam is governed by decision-making and authorization orders, policies, guidelines and instructions, which are important for clearly defining the company's standpoints and working methods for the entire organization.

The day-to-day operations are conducted on the basis of the Group's core values; progress, respect and commitment. The Code of Conduct is based on our core values and emphasizes the policies and guidelines that govern the Group in relation to employees, customers, suppliers and partners. The goal is to have an environmental, social and commercial commitment in all we do, which is based on complying with laws and regulations as well as applying responsible business methods – characterized by high business ethics and good business practice.

The ethics council is the body that works centrally in the Group on spreading information about and following up the Code of Conduct, and it conducts risk analyses in the area and proposes possible measures. Regular training and information about the Code of Conduct and the described governing documents occurs for all employees including the Group Management and Board. For instance, it is included as a compulsory training component in the introductory programme for new employees.



"I AM VERY HAPPY HERE IN FÖLJA BERG. QUITE SIMPLY, IT FEELS LIKE I HAVE FOUND MY HOME. IT'S HARD TO PUT A FINGER ON WHAT EXACTLY MAKES LIVING HERE SO NICE AND SPECIAL. PERHAPS IT'S THE ATMOSPHERE AMONG THE NEIGHBOURS, THE DESIGN OF THE APARTMENT OR THE OPEN CONTACT WITH WALLENSTAM. OR IT'S ALL OF THIS AT THE SAME TIME."

MONA IN FÖLJA BERG, NACKA

MARKET OUTLOOK

The property market has been characterized by a high level of activity in terms of transactions and there is a great need for new housing in Sweden. We see very strong demand for our apartments and commercial premises.

Wallenstam is both a project developer and a property owner and also has property holdings, which are well-balanced between residential and commercial properties – a combination, which provides us with valuable competence in management and urban development work. Our properties are found in attractive locations in Stockholm, Uppsala and Gothenburg – regions, which are all characterized by strong inflow of people and high growth.

Rental and cooperative apartments

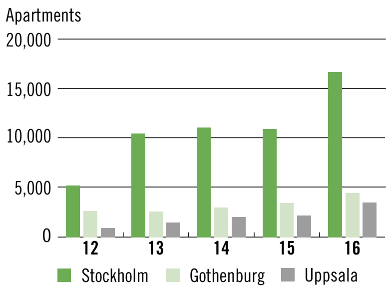
As an urban developer and Sweden's largest private rental apartment producer for our own management, we work intensively to provide the market with new housing in pleasant and attractive locations. We believe in rental apartments as a form of tenure. It is a flexible and convenient form of housing, which requires no risk on the part of the tenant. It also acts as a lubricant in society, for instance when someone needs to move quickly for work or some other reason. We mainly build rental apartments, but also cooperative apartments, primarily because the land available for rental apartment construction is limited.

Apartment construction starts

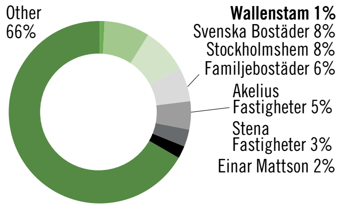
Housing production has increased in recent years, but there is still a huge need for more housing. In 2016, the National Board of Housing adjusted its housing need forecast due to Statistics Sweden's projection that the Swedish population will increase by 1.2 million over the next ten years. The National Board of Housing estimates that 710,000 new apartments need to be provided in Sweden over the next 10 years, of which about 440,000 new homes are needed by 2020, which means an average annual rate of 88,000 units. The Stockholm and Gothenburg regions are expected to account for about half of the total housing need.

During 2016, construction started of almost 19,400 apartments in the Stockholm region, an increase compared to the previous year. Approximately 85 percent of these homes were in the form of apartments blocks. In Uppsala, about 4,300 homes were started, of which about 3,500 are in the form of apartment blocks, an overall increase of around 50 percent compared to 2015. Housing construction also increased in Gothenburg during 2016 by almost 20 percent, when about 5,800 homes

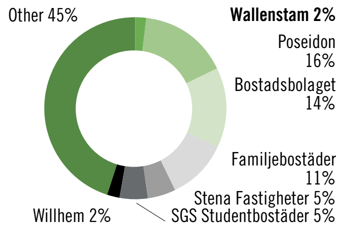
STARTED APARTMENTS IN WALLENSTAM'S MARKETS



MARKET SHARES RENTAL APARTMENTS STOCKHOLM*

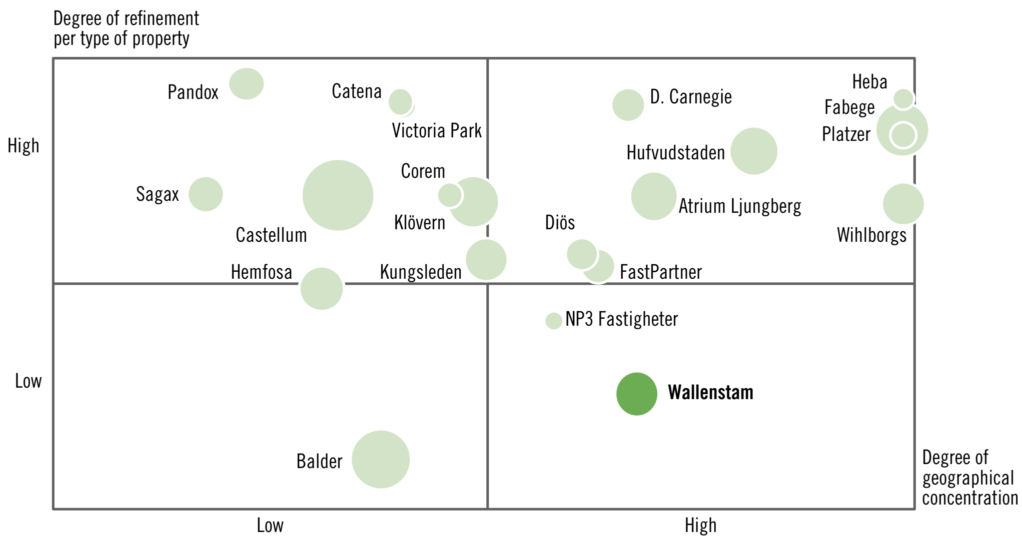


MARKET SHARES RENTAL APARTMENTS GOTHENBURG*



* The market share consists of the number of rental apartments in relation to the total number of rental apartments according to Statistics Sweden.

WALLENSTAM'S CONCENTRATION STRATEGY



Wallenstam's concentration strategy leads to a high level of geographical concentration. The mix of well-located residential property holdings in Stockholm and Gothenburg and commercial holdings focused on the Gothenburg market, means that the degree of property specialization is slightly lower. Source: Leimdörfer were started. Of these, 4,500 were in the form of apartment blocks.

In 2016, Wallenstam started construction of 324 apartments in Stockholm and Uppsala and 519 units in Gothenburg and Helsingborg.

Strong demand

Demand for our newly produced housing is very strong, both in respect of rental and co-op apartments. For example, we not only note that our prospective tenant registers on our website are filled quickly, but also that many people are applying for our apartments via municipal housing agencies in Stockholm and Uppsala and Boplats Gothenburg. In our own queue, which we launched during the fall to supply half of our new production in Stockholm and Uppsala, more than 13,000 people had already registered at year end.

The local market development is related to the level of new construction, demand and rental trends. In Gothenburg, where Wallenstam's commercial holdings are located, there has been an imbalance for several years between higher demand and supply, which has led to a strong rental trend. The prime rent, the highest rents in the most fashionable locations, is about SEK 3,000 per sq m in the CBD and SEK 2,600 per sq m in the rest of the inner city, according to the property consultancy JLL.

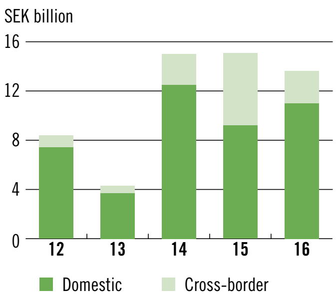
New production volume for commercial areas was slightly lower than the previous year at 40,000 sq m. The vacancy rate in Gothenburg was about 6 percent overall.

Transaction market trend

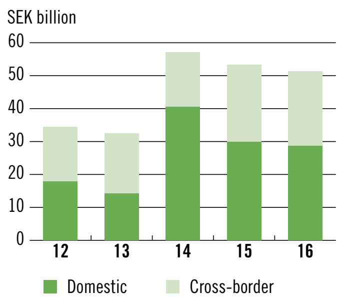
In 2016, news was dominated by external turbulence combined with Brexit and the US presidential election, which has increased uncertainty in the global economy. Growth continued to be strong in Sweden, particularly in metrolpolitan regions. The low interest rate level and low returns on other asset classes, also contributed to a strong interest in property investments during 2016, with high activity and rising prices as a consequence.

According to the property consultancy JLL, transaction volume in 2016 was SEK 209 billion in total, 40 percent higher than 2015. In Stockholm, transaction volume reached SEK 51 billion, which corresponds to 24 percent of Sweden's full-year volume. The total volume in Gothenburg during the full-year 2016 was SEK 13.6 billion, which is 7 percent of Sweden's overall volume.

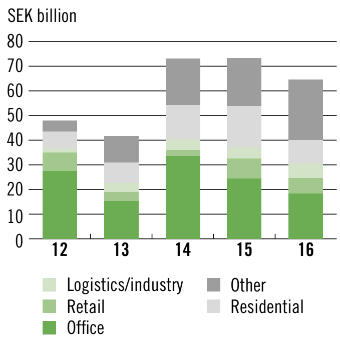
TRANSACTION VOLUME – GOTHENBURG



TRANSACTION VOLUME – STOCKHOLM



TRANSACTION VOLUME IN WALLENSTAM'S MARKETS PER SECTOR



MATHIAS ARONSSON

Vice CEO of Wallenstam AB in charge of the Stockholm and Uppsala business area

"2016 was a year where we worked on many zoning plans in Stockholm and Uppsala that will finally lead to construction starts in 2017. It is a challenge to make the planning processes efficient so that we can start building quicker. Given the huge housing shortage, it is essential to have players – municipalities, developers, contractors and others – that can help to provide housing in different ways."

"Competition in the housing construction market is increasing, which is why it is extra satisfying to report that Wallenstam was also successful during 2016, in obtaining land allocations, which means that we can maintain our planned production rate. For example, we obtained land allocations for rental apartments, including in Viksjö in Järfälla and Aspudden in Stockholm and for cooperative apartments in Bandhagen and Södra Värtan in Stockholm."

"Demand for our completed residential properties is still strong in both Stockholm and Uppsala. In 2017, more than 750 new tenants will move into our newly constructed apartments, and letting demand is robust. Therefore we established our own housing queue during the year for our new construction in Stockholm and Uppsala. It feels really great that we are establishing a presence in Uppsala during 2017, with the opening of our regional office."

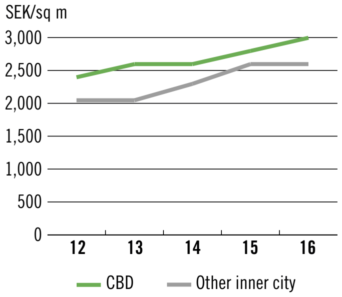
THOMAS DAHL

Vice CEO of Wallenstam AB in charge of the Gothenburg business area

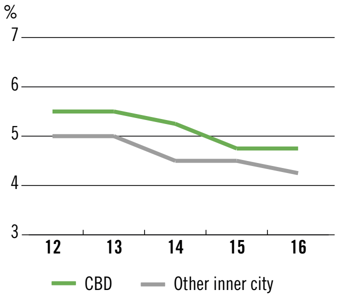
"In Gothenburg, we see strong demand for apartments of course, and for our commercial and retail premises. We are one of the largest players in Gothenburg's commercial premises market, with a market share of just over 8 percent and we are well-positioned with commercial properties in desirable locations. With office and retail premises in the best locations and a strong focus on the right tenant mix, we achieved an excellent occupancy rate of 95 percent during the year."

"On the residential side, we made good progress with construction starts in the region. During the fourth quarter of 2016, we started construction of 314 apartments and now we have more than 700 apartments in total under production – a result of many years' preparatory work. In 2017, we will be able to start construction of more than 1,000 apartments, including densification projects in the absolute center of the city such as extension of several floors in our properties at Sten Sturegatan, and in the urban development district Kallebäck, where we will build about 2,000 apartments in total. We are confident that the more efficient execution of the planning work will contribute to a continued high rate of construction starts for Wallenstam going forward."

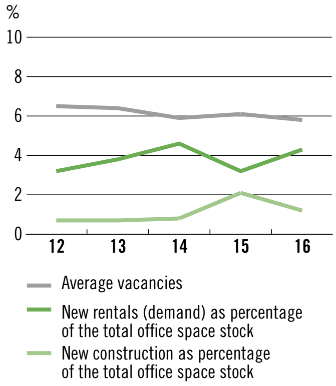
RENTAL RATES OFFICES IN GOTHENBURG



YIELD REQUIREMENTS FOR OFFICE PROPERTIES IN GOTHENBURG



DEMAND/NEW PRODUCTION AND OFFICE VACANCY LEVELS GOTHENBURG



COMPETITION ANALYSIS COMMERCIAL MARKET, GOTHENBURG (Source: JLL)

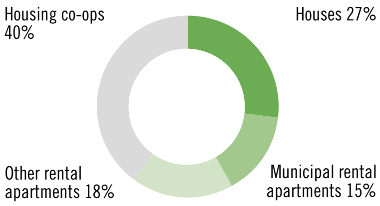
Property company	Floor space, sq m	Market share, %*
Wallenstam	**423,000**	**8.3**
Castellum Väst	458,000	9.0
Vasakronan	422,000	8.3
Platzer	416,000	8.2
Balder	300,000	5.9
Other	3,081,000	60.3
Total	**5,100,000**	**100.0**

* Market share is calculated on the basis of each property owner's floor space in relation to the total floor space in Gothenburg as assessed by Business Region Göteborg.

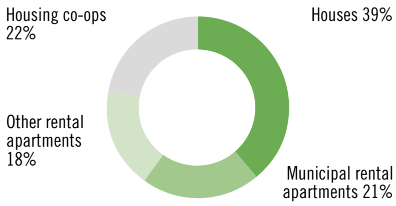
REGIONAL DATA (Source: JLL)

	GREATER GOTHENBURG Outcome 2016	GREATER GOTHENBURG Trend 2017	STOCKHOLM COUNTY Outcome 2016	STOCKHOLM COUNTY Trend 2017	UPPSALA COUNTY Outcome 2016	UPPSALA COUNTY Trend 2017
Number of inhabitants	997,446	↗	2,269,060	↗	361,373	↗
Net inflows, number of inhabitants	10,237	↗	23,940	↗	5,669	↗
Unemployment, %	7.1	→	5.8	↘	4.8	↗
Employment, %	68.5	→	71.6	↗	68.7	→
Housing						
Rental rate new builds SEK/sq m/year	1,700–2,100	↗	2,000–2,400	↗	1,700–2,100	↗
Vacancy rate, %	0	→	0	→	0	→
Yield level, %	2.25–3.50	→	2.0–3.25	→	3.0–4.0	→
Number of apartment starts, units	4,503	→	16,748	→	3,517	→
Rental market, size, SEK billion	12.0	↗	23.6	↗	2.7	↗
Rental market growth compared to 2015, %	3.5		4.7		5.0	
Offices central location						
Rental rate “A” location SEK/sq m/year	2,000–3,000	↗				
Vacancy rate, %	3.1	→				
Yield level, %	4.25–5.00	↘				
Retail central location						
Rental rate “A” location SEK/sq m/year	6,000–12,000	↗				
Vacancy rate, %	0–3	→				
Yield level, %	4.25–5.00	↘				
Total commercial market size (Gothenburg), sq m	5,100,000	↗				

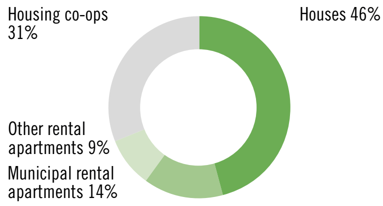
HOUSING DISTRIBUTION BY TYPE, STOCKHOLM



HOUSING DISTRIBUTION BY TYPE, GOTHENBURG



HOUSING DISTRIBUTION BY TYPE, UPPSALA



Energy market

The Swedish Government has a goal that the proportion of renewable energy in the Swedish energy system should increase, and that production of renewable energy should increase by 30 TWh between 2002 and 2020.

The proportion of electricity generated by wind power in Sweden has increased significantly in recent years. However in 2016, it was unchanged from the previous year at 10 percent. During the year, 142 new wind turbines (196) were installed contributing to the total of 3,386 wind turbines (3,244) at year-end with a total output of 6,520 MW (6,033). In total, wind power generated 15.4 TWh (16.6) in Sweden during 2016.

The Nordic electricity market is unified, and electricity trading mostly takes place via Nord Pool, the electricity exchange in Oslo. Grid fees and taxes are government-regulated while the cost of the electricity itself is the part of the consumer price that is exposed to competition. Simplified, the price of electricity can be said to comprise two elements, the spot price and the price of renewable energy certificates.

Higher electricity prices

After having remained at very low levels for a long period, electricity prices increased during the summer and fall of 2016. Influencing factors included lower oil production and the decision during the year to reduce the number of nuclear reactors in operation, e.g. in France. However, electricity use is still low in industry for example. Combined with the rapid expansion of wind power in recent years, this means that there is still a surplus of electricity and renewable electricity certificates.

Renewable energy certificates

A renewable energy certificate system was introduced in Sweden in 2003 to promote the development of renewable energy, such as wind, solar, hydroelectric power and biofuels etc. It is a market-based support system structured so that renewable electricity producers receive a certificate for each MWh of electricity generated. Demand is regulated through a so-called quota obligation, which means that it is obligatory for electricity suppliers and certain consumers to purchase a given quantity of certificates in relation to their electricity supply/consumption. The renewable energy certificate system is financed through a surcharge on the electricity price for consumers. In 2016, the quota obligation increased and in 2017 a further so-called checkpoint will be performed. A possible adjustment of the quota obligation levels will enter into force on January 1, 2018.

KARIN MIZGALSKI

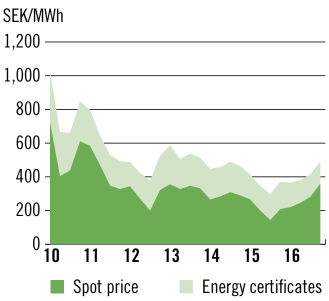
CEO Svensk NaturEnergi AB

"For Svensk NaturEnergi, 2016 was a varied year, with very low spot prices for electricity during the winter and spring and a subsequent sharp increase in prices during the summer – which also offered something as unusual as a lot of wind! The increase in electricity prices also continued during the fall. We also look forward to a new checkpoint during 2017, which will hopefully lead to further increased quota obligations for renewable electricity certificates in the coming years, something that is positive for us as a producer of 100 percent renewable energy."

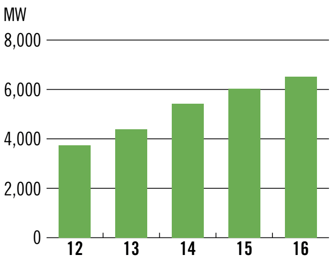
"As both an electricity producer and an electricity trading company, we are both flexible and competitive. Demand for renewable electricity also continues to be strong from private households and companies, including from other property companies that want to use renewable electricity at an attractive price but that are not able to produce renewable electricity themselves."

"As regards the overall energy market in Sweden, I can state that the expansion of wind power in Sweden has ceased. Nevertheless, I believe that we have good potential in Sweden to produce a surplus of renewable energy, which we can export to other countries in northern Europe. Export opportunities are increasing through the establishment of new connections, for example Baltline between southern Sweden and the Baltic States, which opened during 2016."

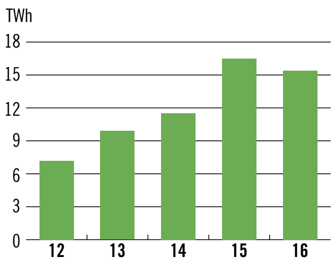
TOTAL ELECTRICITY SPOT PRICE AND ENERGY CERTIFICATES, PER QUARTER



INSTALLED EFFECT WIND POWER IN SWEDEN



ANNUAL PRODUCTION WIND POWER IN SWEDEN



PROPERTY MANAGEMENT

At year-end, our 205 properties had a property value of about SEK 37 billion. Residential properties are concentrated in the growth regions of Stockholm and Gothenburg. The commercial properties are concentrated in Gothenburg's inner city.

Property holdings

Investment properties include properties under current management and property development projects for the company's own holdings that are under construction or conversion. Properties built for sale as co-op apartments, as well as development properties constructed for sale, are not considered investment properties.

We have a well-balanced mix of residential and commercial properties in good, attractive locations and built to excellent standards. About 30 percent of our residential holdings were built 15 years ago or less. Our residential properties are mainly located in the metropolitan regions of Stockholm and Gothenburg where we manage around 4,000 and 3,600 apartments, respectively. Apartment sizes correspond well to market demand. 68 percent of the apartments have 2-3 rooms and kitchen. Our typical apartment is a two room apartment and kitchen of 58 sq m.

Our commercial holdings, mainly consisting of office and retail space, are concentrated in inner city locations and attractive office locations in Gothenburg. In all, we have around 1,000 commercial tenants.

The total area of our property holdings amounts to about 1.1 million sq m.

Acquisitions and divestments

During the year, we sold properties with a floor space of around 29,900 sq m for about SEK 1.2 billion, at prices that on average exceeded the lastest valuation by 19 percent. This represents average annual value growth under our management of 6.8 percent. The sales mainly included a number of residential properties. During the year, we also vacated two properties in Helsingborg, in accordance with our agreement with Willhem, where they will gradually take over our properties there during 2016–2017.

We also acquired a commercial property in central Gothenburg, which is fully let to stable tenants, as well as building rights and land for future new construction in Stockholm, Uppsala and Gothenburg. The property transactions provide opportunities for future new construction, which generates value growth and adds homes to the market.

Active letting

The occupancy rate in our properties is stable at 98 percent in terms of floor space.

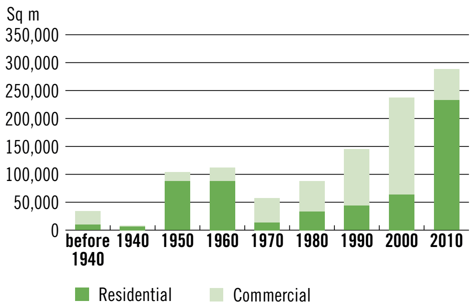
RESIDENTIAL PROPERTIES, AGE STRUCTURE

PROPORTION RESIDENTIAL FLOOR SPACE

44 percent

The proportion of residential floor space in our property holdings is 44 percent.

PROPERTY HOLDING AGE STRUCTURE

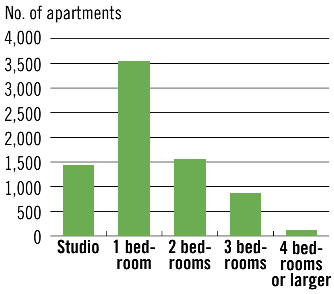


GEOGRAPHICAL DISTRIBUTION

66 percent

of the Group's floor space is found in the Gothenburg business area and 34 percent in the Stockholm business area.

DISTRIBUTION, APARTMENT HOLDINGS



PROPERTY HOLDINGS, SQ M THOUSANDS

Type of premises	Dec 31, 2016	Dec 31, 2015	Change
Residential	**477**	469	8
Office	**226**	227	-1
Retail	**111**	112	-1
Industry/ warehouse	**88**	90	-2
Education	**36**	35	1
Other	**37**	34	3
Garage	**100**	89	11
Total	**1,074**	1,056	18

REDUCED ENERGY USE AND HIGHER COMFORT

We are working actively to reduce the carbon footprint in our holdings, partly through continual operational optimization. This includes follow up of energy use and measures to improve the efficiency of energy usage as well as energy saving projects. As part of energy saving projects, which are implemented during conversions and renovations of properties, we review and replace technical equipment in the property. In this way, we can replace district heating, which generates a carbon footprint, with renewable electricity produced by our own wind turbines.

In 2016, we initiated energy saving projects in Turionhuset in Gårda and in several properties in the inner city, including in our own offices on Kungsportsavenyen 2.

Two years after the completed energy saving project in our property at Rosenlund in Gothenburg city center, we can confirm that district heating use has fallen by about 70 percent in favor of wind energy. The new, efficient heating units have delivered a reduction in energy use of about 40 percent and contributed to lower operating costs and better climate comfort for our tenants.

Our apartments are fully let and we notice strong demand for apartments in our regions. The average relocation rate in our existing holdings during the year amounted to 12 percent in Stockholm and 15 percent in Gothenburg.

In line with our rising number of completed new construction projects, work with viewings and signing up new customers is increasing. During the year, we launched our own housing queue for our newly constructed apartments in Stockholm and Uppsala, where more than 13,000 people had registered as of year-end 2016/2017. Half of the apartments in our newly constructed properties in Stockholm and Uppsala are allocated via our own queue and half via the municipal housing agency in each city. In Gothenburg, all of our new construction projects are advertised on Boplats Gothenburg.

When housing demand is as strong as it is today, it is even more important to work for correct tenancies and oppose unlawful subletting. To promote a safer and fairer housing market, we decided on and initiated structured work to counter improper tenancies during 2016.

The occupancy rate in our commercial properties amounted to 95 percent at year-end in terms of floor space. There should be some vacancy in the commercial holdings to effectively meet changing customer needs. The total rental value for unlet commercial space amounted to about SEK 74 million at year-end.

We have good knowledge of the local market and show great commitment in taking care of customer relationships, something that is a good basis for successful letting operations. During the year, we signed about 220 new agreements, covering approx. 43,000 sq m.

Rental income

Rental income in 2016 amounted to SEK 1,607 million (1,549), an increase of SEK 58 million, despite completed property sales. Rental income from our completed new construction, and our successful new lets and renegotiations in the commercial holdings contributed to the increase.

Leases for apartments and parking

COMPLETED INVESTMENT PROPERTIES 2016

All our new construction projects are designed and conceptualized based on customer and city needs, our future management and the unique characteristics of the project.

In the new Norra Djurgårdsstaden district in Stockholm, which has an environmental profile, families moved into 121 modern apartments in the Månspinnaren project during the year. In the area, we also completed a nursery school, constructed according to the same high environmental standards. In January, we also completed the Följa Berg project in Nacka, comprising 122 apartments in total.

A further 302 rental apartments became ready for occupation during the year, including the entirely or partially completed projects Vågmästaren in Kvillebäcken, Gothenburg and Punkt1 in Stallbacken, Mölndal.

spaces run for three months with automatic renewal, and rents are generally renegotiated once a year. During 2016, rent increases for our apartments amounted on average to 1.4 percent in Stockholm. Rent negotiations for 2016 broke down in Gothenburg and an agreement was only reached in January 2017. For Wallenstam, the agreement means an average rent increase of 1.3 percent for 2016 and 2017 combined.

The average lease term in our commercial holdings is 2.4 years (2.8). Some 8 percent (20) of contracts' rental value may be renegotiated during 2017 but a business assessment is made for every lease. Rental agreements above SEK 1 million constitute 68 percent of the Group's commercial rental income. Apart from rent increases through renegotiated commercial contracts, cost index escalations in running leases for our premises contributed to an increase in rental rates of about 1.3 percent.

Management with customers in focus

We aim to continually improve in our landlord role and meet customer expectations in the best possible way. Our customers are offered different forms of added value through our social commitment, sponsorship and collaboration projects. Another example is the Wallenstam Drive project, with advantageous prices on rental cars and carpooling, something which benefits the environment and makes life easier for our tenants.

Through telephone calls, e-mail and personal contacts, we meet our customers every day. We also conduct annual surveys among our tenants in order to take care of customer wishes and viewpoints in a structured way. The results give us valuable feedback about what our customers think of their apartment or premises, their property and area but also feedback about our service and Wallenstam generally. The results are also broken down by district and by property and form the basis of action plans for the operations in the coming years.

These measurements enable us to follow up our guiding principle that the proportion of tenants willing to recommend Wallenstam should increase annually. The results from the latest survey conducted during fall 2016, showed that a large proportion of customers are willing to recommend Wallenstam as a landlord to others. Wallenstam gets the best praise from customers in the areas of treatment and service.

Development of our properties

Through the work on developing apartments, premises, properties and surrounding areas, we create value for our customers, visitors, the company and our shareholders. Management and the day-to-day operations are conducted with sustainability in focus and according to developed plans, routines and processes.

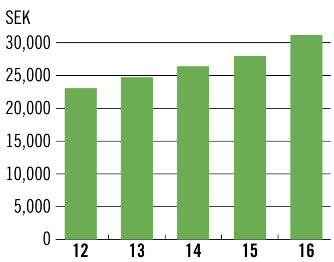
We have continued our efforts to improve public spaces in and around properties in large parts of our holdings in order to create safe and pleasant environments to stay and socialize in.

THE TEN LARGEST COMMERCIAL TENANTS

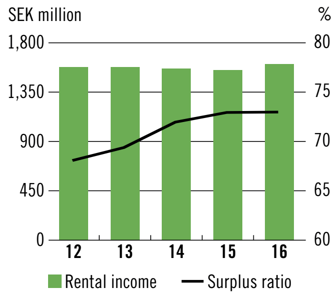
Tenant	Floor space, sq m
City of Gothenburg	22,688
SF Bio AB	14,508
SCA Hygiene Products AB	13,317
Gothenburg Regional Archives	11,000
Migration Agency	8,936
Vittraskolorna AB	6,374
Sodexo AB	6,305
Folkuniversitetet	6,270
Renew Group Sweden AB	6,252
Frisk Service i Göteborg Aktiebolag	6,212
Total	**101,862**

At year-end, the rental value of our ten largest tenants corresponded to 8 percent of the total rental value or 15 percent of the rental value in the commercial holdings. The let area is equivalent to 20 percent of the total floor space in the commercial holdings.

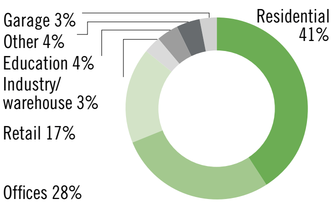
PROPERTY VALUE PER SQ M



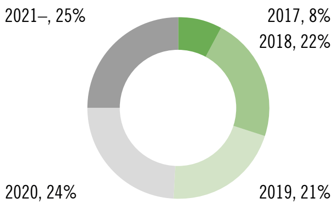
RENTAL INCOME AND SURPLUS RATIO



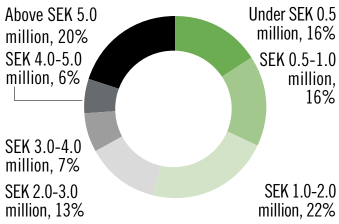
DISTRIBUTION OF RENTAL INCOME 2016 BY TYPE OF PREMISES



VALIDITY, RENTAL AGREEMENT PREMISES, RENTAL VALUE



RENTAL AGREEMENT SIZE, PREMISES



LIVELY CITY

To contribute to a city pulse, we do not just develop our own properties but also the surrounding area. We want to create inviting environments where people feel comfortable and can get involved in. Through design and activities that are attractive for visitors, we contribute to the hustle and bustle on the streetscape.

For instance during 2016, we continued the popular Food Market event, which is arranged on Magasinsgatan. To contribute to a city pulse in other parts of Gothenburg city center, we also initiated the recurring Day Out event. The charming streets Vallgatan and Södra Larmgatan are decorated a little extra, and are spiced up with very good live music and offers from the local stores.

Apart from focusing on our properties in Gothenburg city center, in 2016, we promoted and participated in similiar initiatives in other parts of our holdings, for example at Kvillebäcken in Gothenburg, on Bruksgatan in Mölnlycke fabriker and at Tuletorget in Sundbyberg.

Cleaning and maintenance routines were reviewed in connection with renegotiation of agreements with suppliers. Apart from planned maintenance for each property, we are implementing standard-enhancing measures, for instance new access control systems in selected properties, individual options according to tenant wishes or renovation of an apartment when a tenant moves out.

In the commercial holdings in Gothenburg city center, we completed maintenance and development projects in several of our properties including renovation of roofs, façades and windows. On Avenyn, we are in the final stages of the Mid Avenue Valand development, where we are renovating and building retail space and commercial premises and providing apartments and offices towards Teatergatan. In several commercial properties, energy saving projects have been carried out, something that reduces the properties' operating costs while improving climate comfort for our tenants.

We are also strongly committed to the development of our commercial premises in order to create the best conditions for the various businesses conducted. For example, we are making adaptations based on customer needs and improvements of the property and surrounding area to create pleasant working environments. In addition, we are working actively to create the right conditions for well-frequented places and areas with good customer potential for the tenants that conduct businesses in the ground floor. This occurs both on our own initiative and together with the city and joint action associations such as Avenyföreningen and Innerstaden Göteborg.

Value of apartment buildings

The market value of investment properties amounted to SEK 36,555 million (32,090) at year-end, and includes both completed properties in operation and apartment buildings under construction. Excluding new constructions in progress, this is equivalent to about SEK 31,100 per sq m (27,900). The increase was mainly due to our new construction projects coming into operation and our work on refinement, management, operational optimization and letting. Our own work with cost-efficient new construction and property development are important components of sustainable and profitable value growth.

During 2016, SEK 2,245 million (3,027) was invested in investment properties. Of this amount, SEK 223 million (1,270) relates to acquisitions and SEK 2,022 million (1,757) to new construction, extensions and conversions.

The value creation achieved through our cost-efficient new construction of investment properties, is reported separately in the income statement. This also includes the profit from newly constructed apartment buildings during the construction period until completion. Changes in value arising after newly constructed properties have been taken into operation for a full calendar year are included in the unrealized changes in value that are recognized for the entire holdings.

CHANGES IN VALUE

	SEK million
Changes in value, existing properties	2,271
Changes in value during the year, sold properties	4
New construction	1,195
Unrealized changes in value,	3,470
Realized changes in value, investment properties	187
Total changes in value, investment properties	3,657

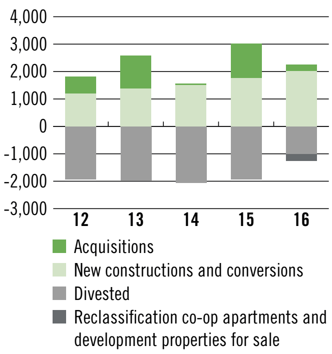
A property's unique characteristics determine its value. In rental income, great emphasis is placed on location, standard and security. Our property holdings are concentrated in good locations in attractive metropolitan regions and hold their value well regardless of the economic cycle.

CREATIVE MEETING PLACES

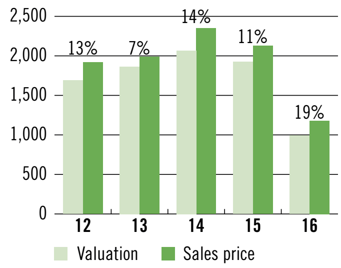
We want our tenants to be happy and feel secure in their apartment and area. Therefore we conduct various types of initiatives, both on an ongoing basis and as part of our long-term management operations, and selective measures. The tenants have an influence over what changes are made, since action plans for each property are prepared based on responses in our customer surveys, among other things.

A strong focus is placed on creating an attractive outdoor environment around our properties, where planning is based on what residents want to do in their courtyard, the position of the sun during the day, plants and vegetation, communal areas and relaxation. We aim to provide opportunities to socialize with others or to just sit and enjoy yourself. In some courtyards, for instance, we have arranged for bbq areas, or enabled tenants to grow things in small allotments or grow boxes.

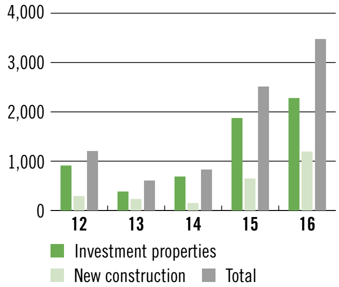
ACQUISITION, CONSTRUCTION AND SALES OF INVESTMENT PROPERTIES



VALUATION/SALES PRICE SOLD PROPERTIES



UNREALIZED CHANGES IN VALUE INVESTMENT PROPERTIES

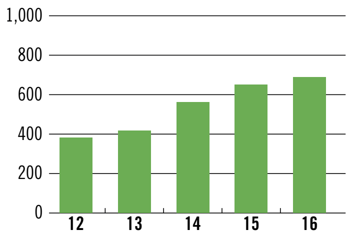


COST-EFFICIENT NEW CONSTRUCTION CREATES VALUE

SEK 1,195 million

of the unrealized changes in value during the year came from our own work in new construction projects.

INCOME FROM MANAGEMENT OPERATIONS/SQ M



PROPERTY VALUATION

Wallenstam measures all of its investment properties internally at fair value. We enjoy good market and property intelligence through active property trading, which provides us with a firm basis for performing internal valuations of our property holdings. However, we must emphasize that a property's fair value does not become a reality until the property is sold, for which reason a valuation is always an estimation. Properties that are contracted for sale with taking possession after closing day, are valued at the selling price from the contract date.

Every year, we carry out a great number of valuations, some relate to our own property holdings and others are properties under consideration for acquisition. Property valuations are based on the following:

- Analyses of completed and non-completed property transactions.
- Estimation of the yield requirements in each market.
- Evaluation of each property's specific circumstances such as condition and location.
- Analysis of rental rates, contract lengths, vacancy and rental trends.
- An analysis of existing tenants.
- Credit market conditions.

Property values depend on market conditions, which change over time. We have used different yield requirements in our assessments of property values. The yield requirements reflect market conditions and differ based on where a property is located, type of property, etc.

As our properties are valued individually, the portfolio premium that may exist in the property market is not taken into consideration.

During 2016, there was strong demand for properties and prices increased while yield requirements decreased because of the internal valuations. The average yield requirement for our commercial properties amounted to 4.9 percent and to 3.3 percent for residential properties.

A yield value means that the net operating income of each individual property is divided by the yield requirement for the property concerned. The computed yield value is then compared with current price statistics for similar properties. Location premiums are added in cases where the yield requirement deviates from prices for the area.

WALLENSTAM'S VALUATION MODEL

+ Rental value
- General vacancies of 3 percent in the commercial holdings
- Operating costs including property tax, excluding administration
= Net operating income
/ Yield requirement of the property
= The property's gross yield value
- Two years' rent for vacant floor space
- Planned investments and significant repairs
+/- Present value of temporary additions/deductions
+ Location adjustment
= Estimated market value of property

Reconstruction, new construction and land

Investment properties that undergo comprehensive reconstruction are measured at the value prior to reconstruction plus subsequent expenses incurred during the conversion project. The yield valuation model begins when the building is finished or when critical factors such as rental rates have been determined with reasonable certainty.

Newly constructed rental apartments are measured at fair value. This is determined as cost plus the calculated surplus value on the completion date in relation to the building's degree of completion, which is in turn based on incurred expenses. New constructions of cooperative apartments and development properties for sale are continually recognized at cost and profit/loss is recognized when each co-op apartment/property is completed, sold and handed over to the customer.

Land rights and building rights for zoned land are valued at market value.

AVERAGE YIELD REQUIREMENTS INVESTMENT PROPERTIES

Place	Property type	%
Stockholm	Residential	3.3
Stockholm	Commercial premises	4.6
Gothenburg	Residential	3.3
Gothenburg	Commercial premises	5.0

PROPERTY VALUE USING OTHER YIELD REQUIREMENTS

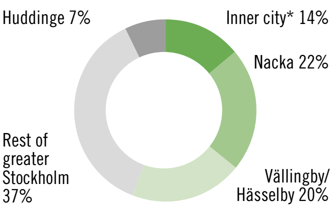
	SEK million
0.5 percentage points lower	41,463
0.25 percentage points lower	38,822
Our estimate	**36,555**
0.25 percentage points higher	34,586
0.5 percentage points higher	32,857

PROPERTY OVERVIEW

	Stockholm business area	Gothenburg business area	Total 2016	Comparison 2015
Residential				
Floor space, sq m thousands	246.6	230.1	476.7	468.7
Proportion of total floor space, %	68.1	32.3	44.4	44.4
Proportion of rent, %	77.2	27.2	41.4	41.6
Average rent, SEK/sq m	1,541	1,459	1,501	1,432
Office				
Floor space, sq m thousands	31.9	193.8	225.7	227.3
Proportion of total floor space, %	8.8	27.2	21.0	21.5
Proportion of rent, %	9.7	35.0	27.8	28.0
Average rent, SEK/sq m	1,493	2,232	2,128	1,986
Retail				
Floor space, sq m thousands	18.6	91.9	110.5	112.5
Proportion of total floor space, %	5.1	12.9	10.3	10.6
Proportion of rent, %	4.8	21.6	16.8	17.2
Average rent, SEK/sq m	1,260	2,904	2,628	2,469
Industry/warehouse				
Floor space, sq m thousands	15.1	73.3	88.4	90.0
Proportion of total floor space, %	4.2	10.3	8.2	8.5
Proportion of rent, %	1.7	4.1	3.4	3.2
Average rent, SEK/sq m	567	686	666	573
Education				
Floor space, sq m thousands	3.2	32.6	35.8	35.2
Proportion of total floor space, %	0.9	4.6	3.3	3.3
Proportion of rent, %	1.4	4.3	3.5	3.9
Average rent, SEK/sq m	2,103	1,644	1,685	1,806
Other*				
Floor space, sq m thousands	3.1	34.0	37.1	34.0
Proportion of total floor space, %	0.9	4.8	3.5	3.2
Proportion of rent, %	1.0	4.9	3.8	3.3
Average rent, SEK/sq m	1,543	1,785	1,765	1,639
Garage/parking spaces				
Garage space, thousands sq m**	43.4	56.6	100.0	88.6
Proportion of total floor space, %	12.0	7.9	9.3	8.4
Proportion of rent, %	4.3	2.9	3.3	2.8
Total				
Floor space, sq m thousands	362.0	712.3	1,074.3	1,056.4
Average rent, SEK/sq m***	1,479	1,830	1,715	1,624

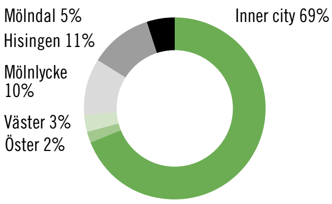
*Includes healthcare premises **Heated garage space ***Garage not included

PROPERTY HOLDINGS, DISTRIBUTION BY FLOOR SPACE, STOCKHOLM



* Incl. Hammarby Sjöstad

PROPERTY HOLDINGS, DISTRIBUTION BY FLOOR SPACE, GOTHENBURG



VALUE-CREATING CONSTRUCTION

Metropolitan regions are growing as people move to cities, and with that also the need for housing. In the current business plan, Wallenstam will start construction of 7,500 apartments in the growth regions Stockholm, Uppsala and Gothenburg.

Our cost-efficient new construction process means that we can build quality housing while maintaining good control over production and costs. In this way, we create value growth in our projects through our own work, regardless of the market climate. At year-end 2016/2017, we had about 2,000 apartments under construction and the project portfolio with possible future production includes about 12,000 apartments.

Strong demand for new construction

The growth rate in terms of both population and employment is high in the regions we operate in and there is an extensive housing shortage. Demand for our new construction projects is enormous, something that is noted in our own tenant base for projects and in the number of applicants for every apartment. Our construction creates value for the city, company and our shareholders – and makes it possible for more people to get their own home.

Both residential and commercial

Wallenstam is both a construction company and a property management company, and also has a unique combination of residential and commercial properties. We offer a wealth of expertise in the development and densification of our cities with energy-efficient buildings and lively areas that people want to live in, work in and visit. We are increasingly working with urban development of the whole area, where an entire district will be developed or where the existing buildings will be preserved and supplemented with new ones.

If a district is to come alive and work along with the rest of the city, a holistic view is needed to create a balance between housing and the provision of services required. It is about such things as planning for nursery schools and other municipal services as well as for retail stores and offices. By building mixed-use districts featuring different activities, the area gains the right conditions for a 24-7 city pulse with meeting places and access to services for those who live and work in the area. Ensuring that everyday life functions for those who live and work in the area also poses a challenge during the construction period.

Kvillebäcken in Gothenburg is an example of how together with

"IT'S NICE AND WELCOMING HERE, CLOSE TO NATURE AND THE AREA ITSELF HAS A WONDERFUL PARK-LIKE FEELING. THE ABSOLUTELY BEST THING ABOUT THE APARTMENT, IS THAT IT'S NEW AND FRESH, BUT ALSO THE OPEN LAYOUT AND SPACIOUS BALCONY."

FANNY AND EMIL IN STALLBACKEN, MÖLNDAL

TRE VÄNNER, ROSENDAL, UPPSALA

Construction of the Tre Vänner project, which will start in 2017, is the result of a land allocation competition announced by Uppsala Municipality in 2014. The emphasis is on well-planned, small apartments, something the university city is in great need of. Mobility and sustainability are key words in the design and workmanship. For instance, the tenant can park his bicycle by hanging it on the façade of his entrance balcony.

Several new districts are currently under development in the city, where along with Uppsala Municipality and other developers, we are adding new housing and providing meeting places, retail space and services. We are currently planning to build at least 1,000 apartments in Uppsala.

We have been active in Uppsala, a strong growth location with a large inflow of people, since 2014. During 2015/2016, we had three projects in progress involving almost 400 apartments, which will all be ready for occupation during 2017. During the year, we entered into collaboration with Uppsala Housing Agency, which will act as an agent for half of our newly constructed apartments, and we also launched our own housing queue for people seeking apartments. We are also in the process of establishing our very nice Uppsala office, which will be ready in May 2017.

Status: Approaching start of construction
Number of apartments: approximately 140
Total number of apartments, Uppsala: at least 1,000

Sandell Sandberg and Fojab


Arkitekthuset Jönköping

STALLBACKEN, MÖLNDAL

Start of construction, first phase: 2014
Number of apartments, all phases: approximately 580

Stallbacken is located directly adjacent to public swimming baths and sports grounds close to a golf course, nature areas and lakes to swim in. Mölndal Centrum is just a few minutes away by bike, offering all kinds of services and excellent communications to central Gothenburg.

Wallenstam will build a total of about 580 apartments in five phases in the area, which is being jointly developed with other developers. During year-end 2016/2017, tenants moved into the 188 apartments in Punkt1, Wallenstam's first phase in the area. In 2016, construction started on a further three phases involving a total of 170 rental apartments and 133 cooperative apartments. The fifth and final phase, Nivå5, is planned to commence during 2017.

When the area is finished, both residents and visitors will perceive a safe and pleasant park-like feeling with a lot of greenery and a pretty tree-lined avenue. We are already planning and preparing creative areas between the buildings in order to provide meeting places and pleasant environments for the tenants who are gradually moving in. We worked actively during the year on making the area accessible and lively even during the construction period, by arranging events such as Spring at Stallbacken and a Christmas coffee break for existing and prospective tenants.

other developers, we can contribute to a lively, environmentally sustainable district with 2,000 new homes. Popular Tuletorget in Sundbyberg is another example, where we built 180 new co-op apartments close to our existing rental apartment holdings. Concurrently, we worked on modernizing the square into a pleasant meeting place with restaurants, a nursery school and other services and businesses.

Sustainable construction

For us, sustainable construction and development is something natural. Our new construction is continually improved to become more energy efficient with solutions to reduce negative environmental impacts.

Read more about our sustainability work on page 24.

High production rate

We can ensure a high rate in the number of ongoing projects, despite long planning processes and a lack of zoned land, by working with many potential projects in parallel.

Investments are primarily made in selected markets and in areas where we already do business, via new constructions or acquisition of properties with good development potential. During 2016, we acquired land and building rights for about SEK 180 million. We also obtained land allocations in the City of Stockholm, the City of Gothenburg and Järfälla Municipality. Taken together, we have a strong project portfolio with a mix of own land, land allocations and agreements with several municipalities for planned construction.

We mainly build rental apartments, a form of housing that we safeguard and that is needed in our society. It is a flexible form of housing that does not require any investment or risk-taking on the part of the tenant.

However, we adapt the form of tenure to what is demanded and possible in each individual project and therefore also build cooperative apartments.

During 2016, SEK 2,245 million was invested in new construction and reconstruction of investment properties and SEK 446 million in cooperative apartment production.

We started construction of 843 apartments during the year, of which 350 are cooperative apartments, and we completed 545 rental apartments. At year-end 2016/2017, we had about 2,000 apartments under construction.

Own land or leaseholder rights

We work intensively to find different opportunities for more housing in selected markets and preferably in areas where we already operate and our ambition is to continue building regardless of the market conditions. Building apartments in lofts or adding additional floors above an existing

MÖLNLYCKE FABRIKER, HÄRRYDA

In the new Mölnlycke Fabriker district, we want to create a natural link between the cultural heritage and future by combining the area's unique factory buildings and existing activities with new apartments, creative businesses and a modern look. The area will be an extension of the center, close to beautiful nature areas and popular walkways along the water.

We are collaborating with Härryda Municipality to realize these plans. The municipality is building a sports center in the area and we are constructing 600 apartments in phases with various forms of tenure, size and look, all based on the shared vision for how a comfortable, modern home should be. Bruksgatan is a natural thoroughfare running through Mölnlycke Fabriker. A number of activities are already conducted on the street and new tenants will be added.

During the year, we arranged monthly dialogue meetings in the area as well as the events Fall in the Factory and Bruksgatan Market, with the aim of generating interest in the site and to provide a vision of how the street and district can look in the future. This has also given valuable opportunities for our project managers, concept developers and letting agents to listen to questions, viewpoints and ideas from the people who visited us on these occasions. In 2017, the work on activities to engage with Mölnlycke residents and visitors will continue through more dialogue meetings and events.

Status: Zoning plan in progress
Number of apartments, all phases: approximately 600

Semrén & Månsson

KALLEBÄCKS TERRASSER, GOTHENBURG

Status: Zoning plan in progress
Number of apartments, all phases: approximately 2,000
Commercial: approximately 20,000 sq m

Nyréns Arkitekter

In the leafy Kallebäck district, with a wonderful location close to the center, nature and recreational areas, we acquired a property in 2013 just beside Lackarebäck hill. We want to create the right conditions here for relaxed urban living close to the pulse of the city and beautiful nature through several new blocks that will link up with the hill and existing development. We are planning various forms of housing, businesses and local services that will provide the basis for meeting places for both new and existing residents of the district.

Approximately 800 apartments are involved in one of the largest projects in the Bostad 2021 initiative – collaboration between several developers and the City of Gothenburg to build 7,000 apartments, in addition to the ordinary housing construction. These apartments should be ready in 2021 at the latest, when Gothenburg will celebrate 400 years.

During 2016, demolition work began and we have initiated dialogue with residents and other stakeholders in the area, to inform them about the project status, to get viewpoints and ideas about the development of the area. This dialogue and the collaboration with various stakeholders are important ingredients for us in designing Kallebäcks Terrasser.

In 2017, we will intensify our efforts to create activities and make the site accessible in order to generate interest and awareness of the area. Under the generic name "In the middle of Kallebäck", we want to create a sense of the future Kallebäcks Terrasser even during the construction period.

ÄLTA VISION, NACKA

Status: Zoning plan in progress
Number of apartments, all phases: approximately 1,000

In Älta, we own both older and newly constructed properties and we want to create more climate-smart and modern apartments close to a lively center. It is a popular residential area offering proximity to nature, services and communications.

In a collaborative effort between Nacka Municipality and Wallenstam, a dialogue with residents was conducted resulting in the vision “Even more Älta 2025”, which became the basis of a program for Älta. The programme proposes a new retail zone, approximately 1,400 new apartments and development of the small-town feeling that today’s Älta residents want more of.

Planning of the first phase is ongoing with the municipality and includes development around the central parts of Älta with about 900 apartments and retail space in the ground floors of the buildings. Wallenstam will build about 700 of these apartments, and will develop new premises for the municipality’s cultural activities.

Collaboration with other players is a key strategy in our development work. In Älta, we are a major landlord and are involved in various ways in the area’s development and activities, for example we support the sports club Älta IF. We enjoy good relationships and well-established collaboration with Nacka Municipality, business owners and local associations.

property are ways of densifying previously developed land. Demolishing a property that is in poor condition and building more apartments on the same land is another.

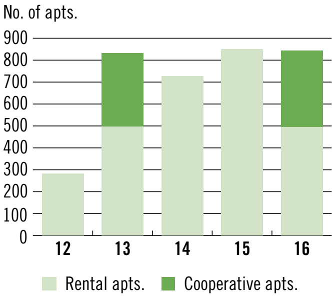
We are always looking for and evaluating ways to find undeveloped land that can be built on. One example is Kungsportsavenyen, where we have increased the densification and added new apartments. We buy our own land and we also seek land allocations from municipalities in the regions we work in. The latter case implies that the municipality either sells the land to us or lets it as a site leasehold right. This means the municipality owns the land and we pay an annual fee for use, known as ground rent. Under Swedish law, such leasehold rights have no fixed contractual term, but run indefinitely. The ground rent is unchanged during a certain period, normally for 10 years. Prior to a new period, either party may request changes to the terms and conditions. During the year, ground rent and lease fees represented 2.1 percent of our total operating expenses.

Valuation of new construction projects

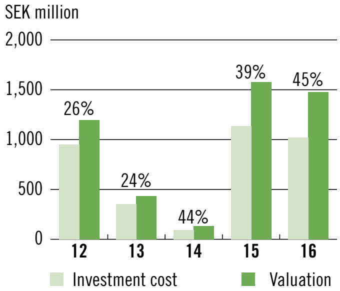
Thanks to our cost-effective new construction, we show an average increase in value of 30–40 percent per invested krona. New construction of rental properties is measured at fair value, which is determined as cost plus the estimated surplus value on the completion date in relation to the degree of completion of the construction. This is in turn based on expenses incurred.

New construction of cooperative apartments and development properties for sale are continually recognized at cost. Profit/loss is reported when each co-op unit/property is completed, sold and handed over to the customer.

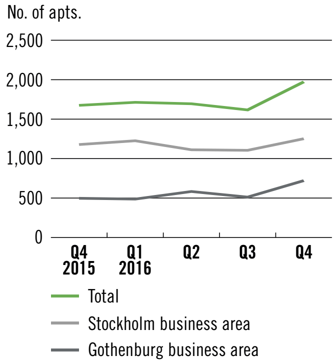
NUMBER OF APARTMENT STARTS



CHANGES IN VALUE, NEW CONSTRUCTION, INVESTMENT PROPERTIES



APARTMENTS, CONSTRUCTION IN PROGRESS



UMAMI PARK, HALLONBERGEN, SUNDBYBERG

Start of construction, first phase: 2016
Number of apartments, all phases: approximately 900
Commercial: approximately 25,000 sq m

In Sundbyberg, just next to the Town Hall, we bought the property Freden Större 11 in 2015, with the intention of converting it into a modern and pleasant district with strong international overtones. The site's location, with nature areas around the corner, close to shopping and events in the Arenastaden district and good communications to the city – 12 minutes to T-Centralen subway station – offers great potential.

We want to create a mixed-used district with varied development and apartments, sophisticated retail space and lively urban life with a neighbourhood feel and natural meeting places. We want to create a neighbourhood with an excellent quality of life, not only for those who will live and work here in the future, but also for all the people who live close by today. The work is being conducted in close collaboration with the Municipality of Sundbyberg and in line with the completed vision work and public dialogue.

In December 2016, work began on the first phase where we will build 147 rental apartments and commercial space in the ground floors for restaurants and retail. The first tenants are expected to be able to take up residence in Umami Park during 2019.

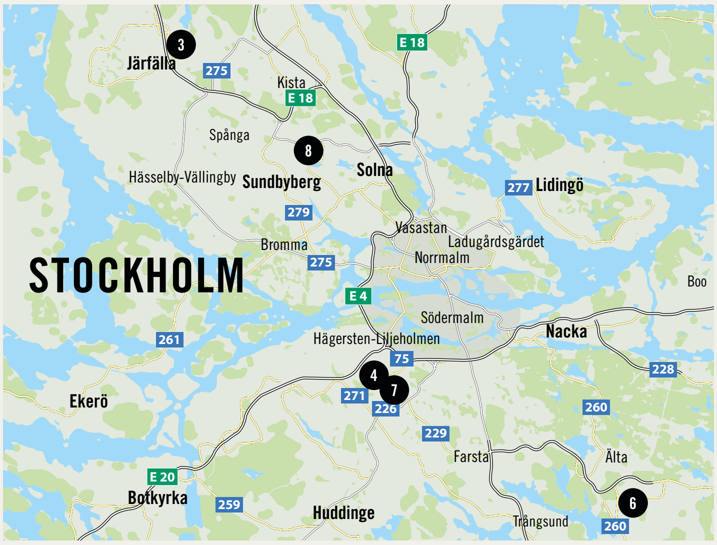
During 2016, concurrently with intensive planning and design work, we carried out a number of activities to put the Umami Park site on the map and in people's minds. The starting shot was Scandinavia's largest Street Art exhibition, which was arranged in May, and this was followed by the fashion event Umami Fashion. On one weekend in August, celebrity chef Marcus Samuelsson was on site with a pop-up restaurant, and satisfied visitors got a foretaste of what Umami Park can offer when the area takes shape.

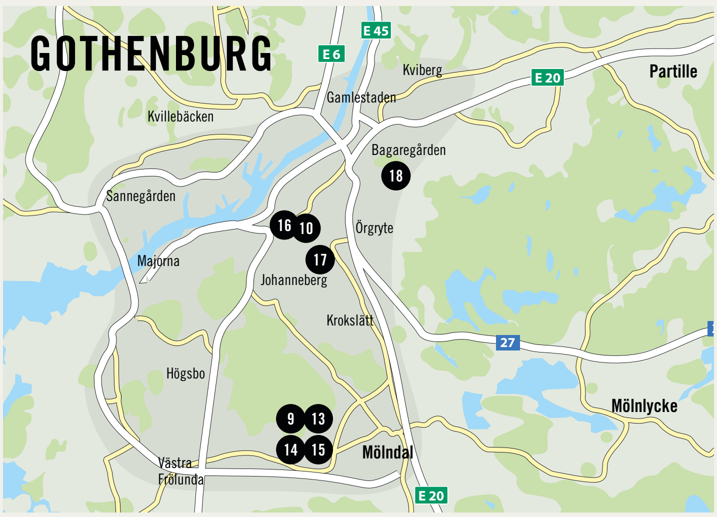
Before artist Oskar Linnros' exclusive live performance at the Umami Music event in September, we decided to raffle off tickets to the public and conduct an exciting form of civic dialogue. More than one thousand entries were sent into us in the competition, containing ideas and examples of what people thought were important in a residential area in order to move there. We can use these as a source of inspiration and as the starting point for the continued development of Umami Park.

WE ARE BUILDING HERE

We have large number of housing projects in progress and at the planning stage due to our major efforts to acquire land and seek land allocations for new construction. During 2016, we started construction of about 850 apartments in our regions.

Our project portfolio consists of thousands of apartments in some 40 different projects. The start of construction of these projects depends on the planning process, which can take varying lengths of time. We are continually working on replenishing our project portfolio with new interesting projects.





NEW CONSTRUCTIONS IN PROGRESS, DEC 31, 2016

STOCKHOLM BUSINESS AREA

Project	No. of apts.	Expected occupation
1. Fjärilen, Rosendal, Uppsala	145	Q1 2017
2. Snickeriet, Östra Sala Backe, Uppsala	137	Q1 2017
3. Tavernan, Barkarbystaden, Järfälla	205	Q2 2017
4. Grönskan Solberga	148	Q3 2017
5. Symfonin, Gränby, Uppsala	116	Q4 2017
6. Trädgårdsporten, Tyresö	184	Q4 2017
7. Orangeriet Solberga (co-op)*	170	2018
8. Umami Park, phase 1 A, Sundbyberg*	147	2018/2019
Total	**1,252**	

NEW CONSTRUCTIONS IN PROGRESS, DEC 31, 2016

GOTHENBURG BUSINESS AREA

Project	No. of apts.	Expected occupation
9. Stallbacken Punkt1, Mölndal**	75	Q1 2017
10. Mid Avenue Valand	35	Q2 2017
11. L17, Helsingborg*, ***	17	Q2 2017
12. Stengläntan Mariastaden, Helsingborg***	110	Q3 2017
13. Stallbacken Nivå2, Mölndal*	88	Q4 2017
14. Stallbacken Punkt3, Mölndal*	82	Q4 2017
15. Stallbacken Punkt4, Mölndal (co-op)*	133	2018
16. Vasagatan 33 (co-op)*	30	2018
17. Utforskaren*	36	2018
18. Ulfsparregatan*	115	2018
Total	**721**	

* Started during 2016.
** The project involves a total of 188 apartments, of which 113 were completed in 2016.
*** Not shown on map.

PLANNED CONSTRUCTION STARTS AS OF DEC 31, 2016

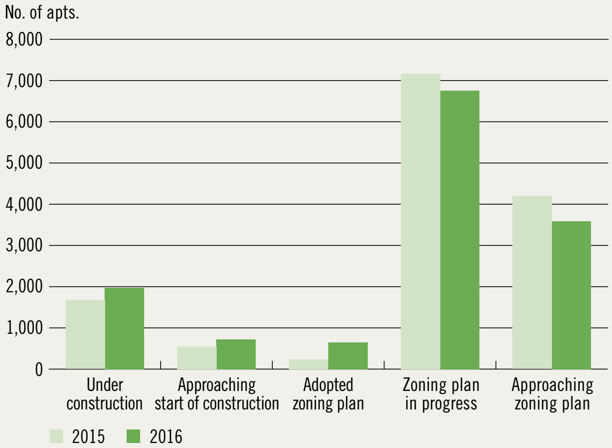
STOCKHOLM BUSINESS AREA

Project	Approx. no. of apts.	Status
Tre Vänner, Rosendal, Uppsala	140	Approaching start of construction
Umami Park, phase 1 B, Sundbyberg	80	Approaching start of construction
Umami Park, phase 2, Sundbyberg	160	Approaching start of construction
Umami Park, phase 3, Sundbyberg	140	Approaching start of construction
Umami Park, phase 4, Sundbyberg	130	Adopted zoning plan
Umami Park, phase 6, Sundbyberg	120	Adopted zoning plan
Apelvägen, Tyresö strand	250	Zoning plan in progress
Bägersta byväg, Enskede	200	Zoning plan in progress
Ekerö Centrum	400	Zoning plan in progress
Järnet 7, Tyresö	220	Zoning plan in progress
Järnet 7, Tyresö (co-op)	50	Zoning plan in progress
Kvarngärdet, Uppsala	80	Zoning plan in progress
New York II, Gärdet (co-op)	50	Zoning plan in progress
Norra Djurgårdsstaden (student apts.)	200	Zoning plan in progress
Södra Värtan (co-op)	100	Zoning plan in progress
Trollesunds Gårdar, Bandhagen (co-op)	160	Zoning plan in progress
Vista Bergsäng, Huddinge	180	Zoning plan in progress
Ädellövet, Farsta	190	Zoning plan in progress
Älta Vision, Nacka	580	Zoning plan in progress
Örnens väg, Haninge	300	Zoning plan in progress
Bandhagen Centrum	80	Approaching zoning plan
Blommenbergsvägen, Aspudden	100	Approaching zoning plan
Eriksberg, Uppsala	250	Approaching zoning plan
Gubbängen C	100	Approaching zoning plan
Kvarnbergsplan, Huddinge	160	Approaching zoning plan
Norrviken Strand, Sollentuna	2,000	Approaching zoning plan
Ropsten	450	Approaching zoning plan
Rosenlundsgatan, Södermalm	60	Approaching zoning plan
Viksjö, Järfälla	200	Approaching zoning plan
Älta Vision, Nacka	200	Approaching zoning plan

GOTHENBURG BUSINESS AREA

Project	Approx. no. of apts	Status
Carlandersplatsen I	80	Approaching start of construction
Carlandersplatsen II (co-op)	40	Approaching start of construction
Stallbacken Nivå5, Mölndal	90	Approaching start of construction
Mölndalsvägen 79	300	Adopted zoning plan
Sten Stures Kröningar, Sten Sturegatan	100	Adopted zoning plan
Almedal	230	Zoning plan in progress
Aspen Strand, Lerum	250	Zoning plan in progress
Forsåker, Mölndal	500	Zoning plan in progress
Godhems Backe	130	Zoning plan in progress
Götaleden	100	Zoning plan in progress
Kallebäcks Terrasser	2,000	Zoning plan in progress
Mölnlycke Fabriker	600	Zoning plan in progress

MORE PROJECTS NEARING START OF CONSTRUCTION



PROJECT STATUS

The time required for each phase can vary.

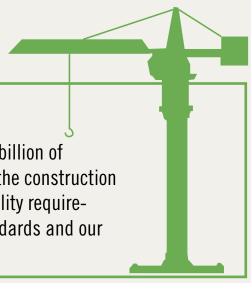
APPROACHING ZONING PLAN	ZONING PLAN IN PROGRESS	ADOPTED ZONING PLAN	APPROACHING START OF CONSTRUCTION	CON-STRUCTION
Program work is ongoing, in other words goals and starting points for the area are being developed. The zoning plan work has not started.	The zoning plan is in progress, in other words a concrete and detailed proposed plan is being drawn up.	The zoning plan is adopted but has not gained legal force, for example due to appeal.	The zoning plan is adopted and has gained legal force.	

PROJECT PROCESS

CONCEPT

A project begins life as a concept that is evaluated in a preliminary study. Depending on the conditions, for example if there is a zoning plan, if we have obtained a land allocation etc., this phase takes a varying length of time. When the conditions of the site are clear we produce a calculation. After that an investment decision is taken and the financing is secured.

CONSTRUCTION



Wallenstam has approximately SEK 4.2 billion of investment volume in progress. During the construction period, we follow our processes and quality requirements, which are based on market standards and our own experience from earlier projects.

PLANNING

In the planning phase, the work on design, layout, projecting and costing becomes more advanced. When all of the drawings and supporting documents are ready, contracts are negotiated and awarded.

LETTING/SALE

Rental properties after completion become part of our property management operations, while cooperative apartments are sold. A financial follow up is made, as well as an evaluation from a customer perspective, so that valuable experience can be used in future projects.

ENERGY PRODUCTION

Our renewable energy investments were initiated to increase the Group's control of its own electricity expenses and our climate impact. Since 2013, we are self-sufficient in renewable electricity, and our subsidiary Svensk NaturEnergi supplies all of our properties with electricity.

The company's 64 wind turbines, positioned from Jämtland in the north to Skåne in the south, have an installed total output of 139 MW (139). Svensk NaturEnergi shall, in the first place, supply Wallenstam's properties with renewable energy. Not only is our managed property less sensitive to changes in electricity prices, we are also able to provide ourselves and our customers with 100 percent renewable energy at good prices. This initiative has also had a positive effect on collaboration with the municipalities we operate in. No investments were made in 2016, and we are not currently planning construction of any more wind turbines. The economic life of our wind turbines is 25 years and all depreciation is based on cost.

Operation and production

It was a normal year in 2016, in terms of the wind levels in the areas where our wind farms are situated. Svensk NaturEnergi generated 352 GWh (415) during 2016.

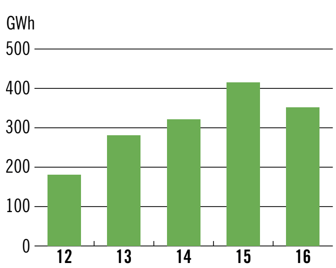
The quantity of energy generated by the turbines depends on how windy it is. In a normal year, turbines produce electricity during around 90 percent of the year's hours. When there is no wind, the wind turbines remain on standby. If the wind is sufficient – approximately 3 or 4 m/s – the turbines start automatically and deliver electricity to the grid. At wind speeds of 12–14 m/s, the turbines generate a maximum output.

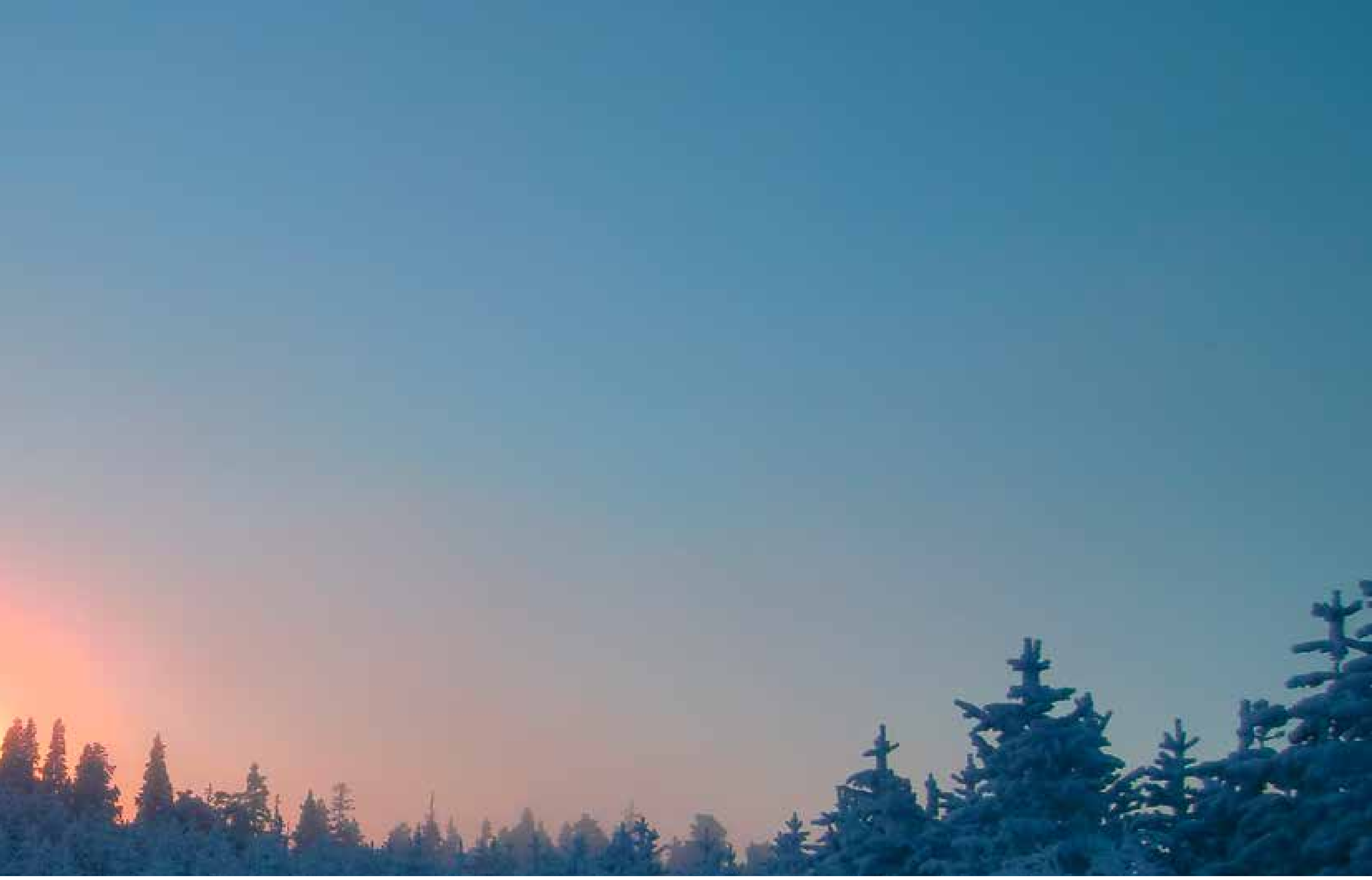
We work actively on boosting our turbine uptime, in other words, minimizing the time that turbines do not generate electricity due to disruptions or planned stoppages – for example by carrying out maintenance work at times when there is no wind. Production is also optimized by various types of upgrades, including new software to improve production efficiency.

Satisfied customers

During the fall, we carried out a customer survey in the form of a Customer Satisfaction Index, (CSI),

PRODUCED VOLUME, SVENSK NATURENERGI





which showed that both our corporate and private customers are very satisfied, particularly with the treatment and handling of cases by customer service. Many customers are also satisfied with the information from the company.

The result of the customer survey will be used to further develop the business and is followed up regularly.

Electricity trading

Since its inception, Svensk NaturEnergi has had load balancing responsibility, which in brief means planning financially and in respect of time so that generated and used electrical energy corresponds as far as possible, through own production and electricity trading. During the year, load balancing responsibility and spot market trading were transferred to a specialized external operator in the field. This solution is advantageous for Svensk NaturEnergi from both a financial and risk standpoint.

We are advancing our operations in 2017 by changing to a more modern and efficient electricity trading system, which will be better equipped to meet the demands imposed on electricity traders in the coming years.

Sales and production in balance

The electricity that is not used in our properties generates revenues as we sell to tenants as well as to "external customers", at a variable and fixed price. The work carried out in recent years with sales and customer care in focus means that we now have achieved a balance between electricity production and sales. In order to safeguard revenues from variations in the spot price, the electricity price is hedged on the financial market. This takes place using financial instruments – electricity derivatives – with various maturities.

Green bonds

We use green bonds to finance our wind farms, which is possible due to Svensk NaturEnergi's renewable energy production. In May, green bonds were issued for SEK 400 million with a maturity of two years, which means that the company has issued green bonds for a total value of SEK 900 million.

The framework for green bonds is based on the "Green Bond Principles" – a series of optional guidelines that aim for transparency, openness and integrity in the green bond market.

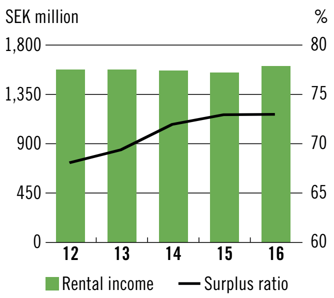
Read more at www.svensknaturenergi.se.

Svensk NaturEnergi

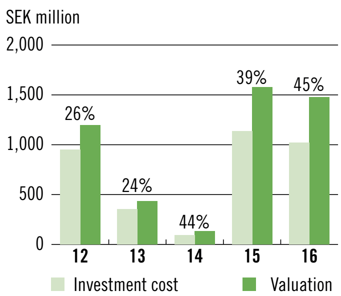
FIVE-YEAR SUMMARY

SEK million	2016	2015	2014	2013	2012
CONDENSED INCOME STATEMENT					
Rental income	**1,607**	1,549	1,566	1,578	1,576
Operating expenses	**-434**	-419	-439	-483	-503
Net operating income, properties	**1,173**	1,130	1,127	1,095	1,073
Management costs and administrative expenses	**-191**	-188	-187	-199	-172
Financial income	**8**	20	17	45	41
Financial expenses	**-257**	-290	-365	-468	-488
Income from property management	**733**	672	592	473	454
Income from natural energy management operations	**-61**	-5	-25	-8	-34
Capital gain/loss wind power assets	**-**	0	0	3	10
Capital gain/loss hydroelectric power	**-**	-29	-	-	-
Profit/loss from sales of co-op apartments	**23**	211	226	4	8
Realized change in value, investment properties	**170**	178	232	67	180
Profit before unrealized changes in value and impairment losses.	**865**	1,027	1,025	539	618
Unrealized changes in value, investment properties	**3,470**	2,507	829	605	1,198
Unrealized changes in value, financial instruments	**-130**	165	-854	328	-94
Unrealized changes in value, synthetic options	**-7**	-31	-20	-23	-20
Impairment losses on non-current assets	**-**	-250	-350	-150	-100
Profit before tax	**4,198**	3,418	630	1,299	1,601
Taxes	**-850**	-664	-45	-23	326
Profit for the period, after tax	**3,348**	2,754	585	1,276	1,927
CONDENSED BALANCE SHEET					
Investment properties	**36,555**	32,090	28,481	28,079	27,680
Wind turbines and hydroelectric power incl. constructions in progress	**1,277**	1,366	1,770	1,982	1,906
Financial derivative instruments	**12**	15	27	75	851
Other non-current assets	**439**	401	600	551	2
Work in progress co-op apartments and development properties constructed for sale	**734**	32	601	970	-
Other current assets	**385**	662	278	780	774
Total assets	**39,402**	34,566	31,757	32,437	31,213
Equity	**17,788**	15,102	12,883	12,840	11,893
Provisions for deferred tax	**3,568**	2,716	2,063	2,014	2,006
Interest-bearing liabilities	**16,473**	15,153	15,078	16,704	16,042
Financial derivative instruments	**970**	861	1,047	248	501
Non-interest-bearing liabilities	**603**	734	686	631	771
Total equity and liabilities	**39,402**	34,566	31,757	32,437	31,213
CONDENSED STATEMENT OF CASH FLOWS					
Cash flow from operating activities	**666**	459	626	510	276
Cash flow from investing activities	**-1,611**	120	1,053	-939	-639
Cash flow from financing activities	**1,002**	-594	-2,007	619	471
Changes to liquid assets	**57**	-15	-328	190	108
Available liquid assets	**930**	665	639	784	594

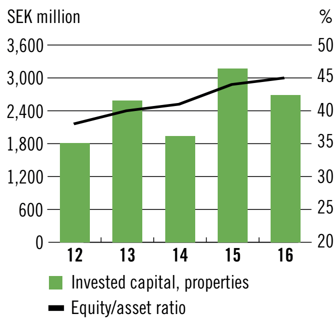
RENTAL INCOME AND SURPLUS RATIO



CHANGES IN VALUE, NEW CONSTRUCTION, INVESTMENT PROPERTIES



EQUITY/ASSET RATIO AND INVESTED CAPITAL, PROPERTIES



	2016	2015	2014	2013	2012
PROPERTY-RELATED KEY RATIOS					
Net operating income, properties, SEK million	**1,173**	1,130	1,127	1,095	1,073
Surplus ratio, property management, %	**73**	73	72	69	68
Unrealized changes in value, new construction*	**1,195**	634	149	225	N/A
Value of investment properties, SEK million	**36,555**	32,090	28,481	28,079	27,680
Area, sq m (thousand)	**1,074**	1,056	1,007	1,104	1,161
Occupancy rate – lettable area, %	**98**	98	98	98	98
Work in progress co-op apartments and development properties constructed for sale, net, SEK million	**734**	32	601	970	–
FINANCIAL KEY RATIOS					
Profit after tax, SEK million	**3,348**	2,754	585	1,276	1,927
Return on equity, %	**20.9**	19.6	4.6	10.3	17.6
Return on total capital, %	**12.2**	11.2	3.2	5.7	7.0
Interest coverage ratio, realized, times	**5.6**	6.5	5.3	4.0	3.3
Interest coverage ratio, times	**4.1**	4.4	3.7	2.2	2.2
Loan-to-value ratio, %	**43**	45	49	54	54
Average interest rate on the closing day, %	**1.97**	2.22	2.56	3.10	3.51
Average fixed-interest term, months	**37**	39	43	38	34
Equity/assets ratio, %	**45**	44	41	40	38
Equity, SEK million	**17,788**	15,102	12,883	12,840	11,893
Net asset value, SEK million	**22,159**	18,630	15,964	16,027	15,027
Non-current net asset value (EPRA NAV), SEK million	**22,906**	19,290	16,760	16,162	15,419
Market capitalization, SEK million	**24,106**	23,120	22,049	16,533	13,648
Dividend, SEK million	**497**	376	337	212	206
Repurchase of shares, SEK million	**192**	150	204	108	126
PER-SHARE DATA					
Profit after tax , SEK	**10.1**	8.3	1.7	3.8	5.7
P/E ratio, times	**7.0**	8.2	37.1	13.0	7.1
Cash flow from operating activities, SEK	**2.0**	1.4	1.9	1.5	0.8
Equity, SEK	**54**	45	39	38	35
Share price, SEK	**70.90**	68.00	64.85	48.63	39.68
Dividend, SEK (2016 refers to proposed dividend)	**1.70**	1.50	1.13	1.00	0.63
Shares outstanding, average, thousands	**330,409**	333,536	336,400	339,066	342,168
Shares outstanding at end of period, thousands	**329,000**	331,800	334,000	337,600	340,000

Alternative performance measures (APM)

Wallenstam presents a number of financial measures that are outside IFRS definitions (Alternative performance measures, according to ESMA's guidelines) with the aim of enabling effective evaluation of the company's financial position and performance for investors and for the company's management. This means that these measures are not always comparable with measures used by other companies and shall therefore be considered as a complement to measures defined according to IFRS. Wallenstam applies these alternative key ratios consistently over time. The definitions describe how Wallenstam's key ratios are calculated. The key ratios are alternative performance measures according to ESMA guidelines unless otherwise stated.

Average carrying amounts of investment properties excluding projects in progress:

SEK million	2016	2015	2014	2013	2012
Carrying amount, investment properties	**36,555**	32,090	28,481	28,079	27,680
Projects in progress, investment properties	**-3,428**	-2,648	-2,200	-2,752	-3,254

* Effect of altered definition relating to new construction and other investment properties:

SEK million	2016	2015	2014
UNREALIZED CHANGES IN VALUE, INVESTMENT PROPERTIES			
New construction previous definition	**978**	639	146
New construction updated definition	**1,195**	634	149
Other previous definition	**2,493**	1,868	683
Other updated definition	**2,275**	1,873	680

Earnings-based key ratios are calculated on the average number of outstanding shares; yield figures are calculated on rolling twelve-month profit or loss.
The relevant key ratios have been restated for the 2:1 share split.

HOW TO READ OUR INCOME STATEMENT

Wallenstam's income statement is presented to reflect our various main areas: income from our property management operations, income from production and sales of electricity, profit from sales of apartment buildings and change in value in our existing property holdings.

CONSOLIDATED INCOME STATEMENT

SEK MILLION	Note	2016	2015
Rental income			
Operating expenses			
Net operating income, properties			
Management costs and administrative expenses	4, 5		
Financial income	8		
Financial expenses		**-257**	-290
Income from property management		**733**	672
Income from natural energy management operations		**-61**	-5
Capital gain/loss hydroelectric power		**-**	-29
Revenue, co-op apartments sales	10	**127**	1,203
Expenses, co-op apartments sales	10	**-104**	-992
Realized chang in value, investment properties		**170**	178
Profit before unrealized changes in value and impairment losse		**865**	1,027
Unrealized changes in value, investment properties		**3,470**	2,507
New construction		**1,195**	639
Other		**2,275**	1,868
Unrealized change in value, financial instruments		**-130**	165
Unrealized change in value, synthetic options	5	**-7**	-31
Impairment losses on non-current assets	15	**-**	-250
Profit before tax		**4,198**	3,418
Current tax		**0**	-1
Deferred tax		**-850**	-663
Profit for the year, after tax		**3,348**	2,754
OTHER COMPREHENSIVE INCOME			
Items that may be transferred to profit/loss for the year			
Translation difference			
Change in value of available-for-sale financial assets			
Tax attributable to other comprehensive income			
Comprehensive income			
DISTRIBUTION PROFIT/LOSS FOR THE YEAR			
Attributable to non-controlling interests			
Attributable to parent company shareholders			
PER-SHARE DATA			
Profit after tax, SEK; dilution does not occur		**10.1**	8.3
Dividend, SEK (proposed for 2016)		**1.70**	1.50
Average number of outstanding shares at year-end, thousands		**330,409**	333,536

Income from property management operations shows how large a share of rental income remains after deducting expenses for the properties' operation, management, administration and financing.

Profit from sales of co-op apartment units is recognized when the customer has taken possession of the apartment and consists of compensation from the sale of the apartment less the cost and other expenses.

Income from natural energy management operations consists of revenue less expenses including depreciation, administrative expenses and interest expenses attributable to our electricity trading and electricity generation.

Profit from sales of investment properties in relation to the property's consolidated value on sale, less expenses. On page 71, the sales result is also presented in relation to the consolidated cost, in other words "traditional capital/gain loss".

As unrealized changes in value Other, changes in value are recognized for all investment properties, which have been in operation for one calendar year or more.

Wallenstams's derivative instruments are continually measured in relation to current interest rates, resulting in changes in value recognized through profit or loss. As long as the derivative remains unrealized, the item does not affect cash flow or average interest.

The increase in value is gradually recognized during the construction of the property until the property has been in operation for one calendar year. Change in value New construction recognizes the difference between cost of construction of a new rental apartment and the value it has on completion. Changes in value after one calendar year such as New construction are recognized as Other.

ADMINISTRATION REPORT

The Board of Directors and the Chief Executive Officer of Wallenstam AB (publ), corporate identity number 556072-1523, hereby submit the annual accounts and consolidated financial statements for 2016. Information in parenthesis refers to the preceding financial year.

THIS IS WALLENSTAM

Wallenstam was founded in 1944 and is today a property company that builds, develops and manages properties for sustainable living and enterprise, primarily in Stockholm and Gothenburg. Ownership is focused on residential properties in these two locations, and also on commercial properties in Gothenburg. Svensk NaturEnergi's primary task is to ensure that Wallenstam generates sufficient energy from renewable sources to meet its own and its tenants' needs. The Wallenstam B share is listed on Nasdaq Stockholm, Large Cap.

BUSINESS CONCEPT

Wallenstam's business concept is to develop, build, buy and sell properties in selected metropolitan regions that are sustainable for people and companies in the long term.

OPERATIONAL GOALS

Wallenstam conducts operations based on business plans, objectives and strategies. The current business plan extends from 2014 to 2018. The business plan's goal is to achieve average net asset value growth, excluding dividends and repurchases, of at least 10 percent per year during the period.

OPERATIONS AND ORGANIZATION

The Board of Directors has its registered office in Gothenburg, where the head office is also located on Kungsportsavenyen 2. In 2016, the average number of employees in the Group was 227 (216). Operations are conducted in three overall business areas: properties in the Gothenburg region, properties in the Stockholm region and renewable energy through Svensk NaturEnergi. The administrative support functions provide the business areas with skills and expertise in accounting, finance, IT, law, communications, customer service, HR and taxes. The two property business areas also include responsibility for letting and management of residential and commercial premises as well as planning and construction work.

Construction

Wallenstam mainly builds rental apartments but also develops cooperative apartments. At year-end, ongoing investments amounted to SEK 4.2 billion, of which SEK 2.7 billion was invested during the year. At present, most of our new construction is taking place in the Stockholm region, including Uppsala. We are currently building 1,250 apartments here. In Gothenburg and Helsingborg, construction of more than 700 apartments is in progress.

Property management

The property holdings comprise a total of 1,074,333 sq m, distributed among approximately 200 properties, primarily in Stockholm and Gothenburg. In all, Wallenstam has around 7,500 apartments and 1,000 commercial tenants. Residential properties represent around 44 percent of the lettable area, while the remainder consists of commercial premises and parking. More than half of the apartments, around 4,000, are found in Stockholm, around 3,400 in Gothenburg and around 200 in Helsingborg. Corporate customers are mainly found in Gothenburg where we have about 900 commercial tenants that rent office and retail premises, mostly in Gothenburg inner city locations. The residential apartment holdings are fully let and the occupancy rate for commercial premises is 95 percent. The value of investment properties amounts to around SEK 37 billion.

Energy

Operations within Svensk NaturEnergi consist of both the generation of and trade in renewable energy. Electricity is sold to Wallenstam tenants and also to external customers. Wallenstam has an installed output of 139 MW (139) and has since the beginning of 2013 been self-sufficient in renewable energy, meeting both its own and its tenants' requirements on a monthly basis.

RESPONSIBLE ENTERPRISE

Wallenstam's sustainability efforts are based on a common Group policy and are reported according to the Global Reporting Initiative's Guidelines (GRI G4). Our sustainability work focuses on:

- taking active social responsibility
- helping to reduce energy consumption
- investing in renewable energy sources and energy-efficient construction
- continually improving the environmental status and performance of our properties
- creating value through profitable growth

As part of our active responsibility for communities, we work on security-enhancing initiatives for our tenants; we help with accommodation for young people and the homeless, we support organizations that work to prevent social exclusion, such as BRIS (Children's Rights in Society), Barn i Nöd (Swedish International Help for Children), Räddningsmissionen (the Rescue Mission in Gothenburg) and other charities. By owning and operating wind farms, the Group conducts operations that both require permits and that have a reporting duty under the Swedish Environmental Code. One advantage of wind power as a renewable energy source is that Wallenstam is helping to reduce carbon dioxide emissions, which means that we are not dependent on fossil fuels in our production. A guiding principle in our current business plan is to reduce the carbon footprint from our property holdings by 15 percent per sq m by the end of 2018. The Group holds all the permits required to conduct its existing operations.

IMPORTANT EVENTS DURING THE FINANCIAL YEAR

During the year, we completed several good transactions and continued to develop our property holdings through new construction and conversions. We sold 11 investment properties for a total of SEK 1,179 million (2,129) at prices that exceeded the latest valuations, by 19 percent, taking investments into account. Divested properties included six residential properties in Stockholm, two residential properties and land in Gothenburg and two residential properties in Helsingborg, which were taken into possession by Willhem according to agreements signed in 2015 – to the effect that they will gradually take over our properties in Helsingborg.

Acquisitions during the year included a commercial premises in central Gothenburg and five plots of land for a total of SEK 340 million (1,270). The offensive investment tempo in new construction has continued. Investments are focused on our own new construction – mainly rental apartments, but also co-op apartments. At year-end, around 1,973 apartments were under construction, of which 1,252 were in Stockholm and Uppsala and 721 in Gothenburg and Helsingborg. During the year, overall investments in new construction and conversions of rental apartments and co-op apartments amounted to SEK 2,351 million (1,902), and SEK 179 million (483) was invested in land. In all, we started construction of 843 apartments during the year and completed 545 apartments in total.

GROUP RESULTS

Rental income

Group rental income increased by 4 percent and amounted to SEK 1,607 million (1,549). This growth was mainly the result of additional recently constructed apartment buildings as well as successful new lets and rent negotiations with our commercial tenants. Overall, rental income was affected by finished projects, completed negotiations, new lets, property sales and acquisitions. Wallenstam's residential property holdings are fully let.

This year's rent negotiations resulted in an average rise of 0.9 percent for apartments in Stockholm. No rent control occurred in 2016 for apartments in Gothenburg due to a breakdown in rent negotiations between the Swedish Union of Tenants, Western Sweden Region and the Swedish Property Federation.

Rental rates for Wallenstam's commercial premises rose by 3.8 percent overall in comparable holdings, as a result of completed new lets and renegotiations as well as index agreements. We are experiencing stable demand for commercial properties, especially in central locations where the majority of our commercial premises are situated. Rent levels are stable and the occupancy rate in our commercial holdings in terms of lettable area amounted to 95 percent on closing day.

Operating expenses and net operating income, investment properties

Operating expenses for the year amounted to SEK 434 million (419), of which new property taxation for 2016, accounted for most of the cost increase, SEK 9 million. Seasonal effects at Wallenstam consist mainly of variable operating expenses. Colder weather with more snowfall meant that operating expenses for 2016 were SEK 5 million higher than 2015.

Net operating income for the year was impacted by two large conversion projects by SEK -18 million, for which premises were vacated, with reduced income but maintained operating expenses as a consequence. Despite this, net operating income increased by almost 4 percent and amounted to SEK 1,173 million (1,130). The surplus ratio was 73 percent (73).

Management costs and administrative expenses

Management costs and administrative expenses mainly refer to personnel expenses and are distributed into SEK 191 million (188) for property management, SEK 27 million (32) for energy management and SEK 18 million (25) for property and co-op apartment transactions. Unrealized expenses for Wallenstam's synthetic options scheme are recognized as a line item in the income statement, and for 2016 amounted to SEK 7 million (31). For more details, refer to Note 5.

Financial income and expenses

Financial income amounted to SEK 8 million (20) and financial expenses to SEK 287 million (323), a result of efficient capital management and a lower average interest rate. Financial income consists of interest income and other financial income. Financial expenses are distributed into property management expenses of SEK 257 million (290) and natural energy management expenses of SEK 30 million (33).

Income from natural energy management operations

Income from natural energy management operations, which consists of revenue less expenses including depreciation, administrative expenses and interest expenses attributable to electricity trading and electricity generation, amounted to SEK -61 million (-5) in 2016 and included wind turbine depreciation of SEK 96 million (94), which did not affect cash flow.

During 2016, 352 GWh (415) of electricity was produced. The decrease was mainly the result of very favorable wind conditions in 2015 while 2016 was a normal year. Revenue and expenses from generation and sale of electricity and renewable energy certificates including depreciation amounted to SEK -4 million (60) net. During the year, the price of a renewable energy certificate fell from SEK 165 per certificate to SEK 116, which generated a negative remeasurement effect on revenue of SEK 28 million for 2016. As the majority of the Group's inventory of renewable energy certificates are contracted for sale at a fixed price, there is a latent surplus value in this inventory. In relation to the price of renewable energy certificates at year-end, this corresponds to a surplus value of SEK 34 million, of which SEK 22 million will be realized during March 2017.

Profit from sales co-op apartment construction

Revenue and expenses from the sale of co-op apartments are recognized when the apartment is handed over to the buyer and consist of compensation from the sale and the respective cost including marketing and selling expenses for the co-op apartment units sold. Net profit for the year from sales of cooperative apartments amounted to SEK 23 million (211) and mainly included sales of a small number of individual co-op apartments.

Change in value, investment properties

The change in value of investment properties consists partly of unrealized changes in value and partly of profits realized through property sales. These are reported on separate lines in the income statement.

Realized changes in value, investment properties

During the period, Wallenstam sold properties for a total of SEK 1,179 million (2,129). The sales were completed at prices that exceeded the latest valuation, taking into account of investments, by around 19 percent (11), which generated a realized profit for the Group of SEK 170 million (178) including selling expenses and internally distributed administration. In relation to the amount invested in the sold properties, which totaled SEK 570 million (1,293), Wallenstam will realize a surplus value in connection with the sales of SEK 609 million (836). Since the divested properties were held for an average of approximately 11 years, this corresponds to average annual value growth of 6.8 percent.

The major part of this growth, SEK 422 million (632) was recognized in the consolidated income statement throughout the holding period as a component of the item Unrealized change in value, investment properties.

Unrealized changes in value, investment properties

The development in the value of properties during the year was positively affected by an increase in value generated by our own work in ongoing and completed conversions and new constructions of rental apartments, more efficient operations, completed negotiations, concluded sales and the market situation in the sector. Our new construction of properties created total value growth of SEK 1,195 million. Our deliberate strategy of concentrating on attractive properties in popular locations with long-term value growth and continued strong demand and price increases in the market is reflected in valuations through improved net operating income and lower yield requirements. Total changes in value in Wallenstam's property holdings as of December 31, 2016 amounted to SEK 3,657 million (2,711), of which realized changes in value amounted to SEK 187 million (204) and unrealized changes in value amounted to SEK 3,470 million (2,507).

Unrealized change in value, financial derivative instruments

Wallenstam uses interest rate derivatives, which are a cost-effective and flexible way to extend credits with short fixed interest terms and obtain the desired interest maturity profile. If the contracted price deviates from the market price for derivatives, this difference in value is recognized in the balance sheet or in profit or loss.

In 2016, the deficit on the company's interest derivatives portfolio increased, which negatively impacted net profit for the year by SEK 156 million (income 189) while the development in value of electricity derivatives had a positive effect of SEK 25 million (-24). Including the result from other financial instruments of SEK 1 million (0), net income from derivative instruments was an expense of SEK 130 million (income 165).

Taxes

The recognized tax expense for the year amounted to SEK 850 million (664) net, of which SEK 850 million (663) was deferred tax and SEK 0 million (1) was current tax. Tax on other comprehensive income totaled SEK 4 million (income 3). Where properties were sold through the sale of shares in subsidiaries, the provisions for tax liabilities for the properties sold were reversed. In addition to income tax expenses, the Group is also affected by other tax expenses, the largest of which are VAT expenses – for which our rights of deduction as a property company are limited – as well as taxes such as energy tax, property tax and stamp duty and personnel-related taxes and charges. Wallenstam's expenses for these taxes in 2016 amounted to around SEK 550 million (455); they are recognized under operating expenses within income from property management and investments in construction operations respectively.

Specification of taxes paid

SEK MILLION	2016	2015
Income tax	**0**	1
VAT	**401**	328
Property tax, energy tax and stamp duty	**104**	84
Social security contributions for employees	**45**	42
Total paid taxes	**550**	455

CONSOLIDATED BALANCE SHEET

Investment properties

During the year, we invested SEK 2,245 million (3,027) in investment properties, of which acquisitions amounted to SEK 223 million (1,270), while new construction and conversions totaled SEK 2,022 million (1,757). The estimated market value of properties amounts to SEK 36,555 million (32,090), refer also to Note 14. All Wallenstam's properties are valued quarterly by an internal valuation team. Property valuations are based on the following:

- Analysis of concluded and non-concluded property transactions.
- Estimation of the yield requirements in each market.
- Evaluation of each property's specific circumstances such as condition and location.
- Analysis of rental rates, contract lengths, vacancy and rental trends.
- Analysis of existing tenants.
- Credit market conditions.

Co-op apartment projects and development properties constructed for sale

Properties constructed with the intention of being sold on completion are defined as development properties constructed for sale and co-op apartment projects. Development properties constructed for sale in 2016 consisted of properties that according to agreements signed in 2015, which will be taken over by Willhem after completion. Co-op apartment projects are properties constructed with the intention of being sold to housing cooperatives. Development properties and co-op apartment projects are recognized at cost in the balance sheet. The profit will be recognized when the properties are completed, sold and handed over to the buyer. During the year, we invested SEK 446 million (145) in acquisition and new construction of co-op apartments. On closing day, Wallenstam's ongoing new construction of co-op apartments and development properties constructed for sale totaled SEK 734 million (32).

Wind power

Wallenstam has 64 wind turbines in operation distributed among 19 wind farms. Depreciation for the period amounted to SEK 96 million (94). At year-end, consolidated net investments in finished turbines amounted to SEK 1,277 million (1,366). The renewable energy certificate inventory amounted to SEK 89 million (100), of which the majority are covered by entered into contracts for the sale of futures at higher prices than the value on closing day.

Equity and net asset value

Shareholders' equity amounted to SEK 17,788 million (15,102), which is equivalent to SEK 54 per share (45). The equity/assets ratio was 45 percent (44). Shareholders' equity was affected by comprehensive income for the year, dividends and repurchases. Net asset value, which includes equity and deferred tax liability, totaled SEK 22,159 million (18,630). Additions for deferred tax liability are made to better reflect the net asset value as the effective tax rate is lower than the nominal rate.

Net tax liability

The Group recognized a net tax liability of SEK 3,568 million (2,716), which consists of a deferred tax asset of SEK 815 million (824) and a deferred tax liability of SEK 4,383 million (3,540). The deferred tax asset mainly refers to the value of loss carryforwards in Group companies. The deferred tax liability mainly consists of differences between the carrying amounts and fiscal residual values of Group properties.

Interest-bearing liabilities

Wallenstam's loan portfolio amounts to SEK 16,473 million (15,153). The loans are primarily secured against traditional mortgage deeds in properties. The loan-to-value ratio is 43 percent (45). Of the loan portfolio, 47 percent (54) has fixed interest terms longer than one year. The average remaining fixed interest term is 37 months (39). The average effective interest rate on December 31, 2016, was 1.97 percent (2.22). Of the interest-bearing liabilities, loans with capital tied up for long terms amounted to 9 percent (11) of the total portfolio.

Available liquid assets

Available liquid assets, including unutilized bank overdraft facilities, amounted to SEK 930 million (665) on closing day. In addition to this, there is an approved credit commitment, credit facilities and a still unutilized building credit of SEK 2,337 million (1,215). Total available liquid assets on closing day amounted to SEK 3,026 million (1,887).

OPPORTUNITIES AND RISKS

Wallenstam has defined risks and uncertainties in the areas: operations, external environment and financing. In accordance with IFRS, Management makes assumptions, estimates and assessments that affect the content of the financial statements. Actual outcomes may differ from these estimates and assessments, as described under accounting principles.

Operations

Operational risks are those related to core activities, business development and property management.

We operate in regions with strong growth and high demand. Through solid expertise, an organization that focuses strongly on land acquisition and good management in detail, we build cost-efficient housing with good supervision and value growth. Cash flow is strong, which combined with properties in prime locations, a high occupancy rate, excellent tenants and a good rental agreement structure in the commercial holdings means the risk of major future vacancies is considered to be low. Residential rental income is comparatively secure and predictable. Heating is a major expense for property companies that is impacted by seasonal effects such as the climate and weather conditions. We build and renovate with energy efficiency in focus and are self-sufficient in renewable energy, making us less sensitive to changes in electricity prices. Our wind power production is weather dependent. In the case of electricity trading, supply and demand are the most important factors as they determine the price. Demand is mainly affected by market conditions, and weather temperature trends. We work proactively with cost control and to secure the relevant portion of our production and sales. We do not envisage any material risk of major declines in cash flow.

External

External risks are mainly those that lie outside our scope of operations, for example changing market conditions. Property values are affected by our own property management activities and general market conditions. Small changes in the yield requirement can result in large changes in value. A change of 0.25 percentage points in yield requirements is equivalent to approximately +/– SEK 6 per share. As of December 31, 2016, the estimated market value amounted to about SEK 37 billion. A change in value of +/- 10 percent is equivalent to a change in value of around SEK 3.7 billion and a change in net asset value of around SEK 11 per share.

Wallenstam operates in areas where there are significant housing shortages. Commercial properties are chiefly located in central Gothenburg. The structure of the property holdings, attractive locations and a high occupancy rate add up to a low overall risk profile.

Wallenstam is affected by political decisions associated with tax legislation and its interpretation, such as the level of company tax or property tax. A change in fiscal legislation or practice, resulting, for example in changes to allowable tax deductions or rules on utilizing loss carryforwards – could change Wallenstam's future tax situation and thereby impact profits.

External risks for Svensk NaturEnergi are primarily connected with political decisions and general market conditions, including supply and demand for electricity.

Financing

Financial risks refer to an inability to satisfy demand for the necessary amount of capital, which is an essential operational resource. Our finance policy regulates the company's actions on the credit market, loan portfolio structure and the distribution between the number of lenders. We work chiefly with conventional bank loans and mortgages secured against property.

BOARD WORK DURING THE YEAR

Wallenstam's Board of Directors is composed of five members. In 2016, the Board held seven recorded meetings in addition to day-to-day contacts. The Board's most important duty is to make decisions on strategic matters. In general, the Board handles issues of material importance for the Group. The main issues during the year, apart from those that are incumbent on the Board to deal with under the formal work plan of the Board, were strategic decisions for the company regarding investments in new construction, property transactions, financing and so forth. The Board's work is described in the Corporate governance report, which is separate from the Administration Report and can be read on page 128.

GUIDELINES FOR DETERMINING SALARIES AND OTHER COMPENSATION FOR SENIOR EXECUTIVES

The Board of Directors of Wallenstam AB (publ) proposes that the following guidelines for determining salaries and other compensation for senior executives in the company shall apply to agreements entered into during the period between the 2017 AGM until the end of the 2018 AGM. The guidelines shall cover the CEO and other individuals in the company's management.

Fixed salary – Senior executives should be offered fixed salaries on prevailing market terms which are based on the employee's area of responsibility and performance.

Pension benefits – Senior executives should be offered pensions on prevailing market terms, mainly in the form of premium-based pension agreements.

Non-monetary benefits – Senior executives should be offered customary non-monetary benefits that facilitate performance of the work. Additionally, benefits in the form of accommodation, including related expenses, may also be offered in individual cases.

Variable remuneration – In addition to fixed salaries, variable remuneration that rewards predetermined, measurable performance may also be offered. Such variable remuneration should aim to promote the creation of long-term value within the Group. Furthermore, in connection with the conclusion of a published company business plan and to the extent the Board considers appropriate, the Board will have the right to decide on monetary compensation to the Chief Executive Officer and the Vice Chief Executive Officers as remuneration for extraordinary work performed during the implementation of the business plan.

Variable remuneration should be paid in the form of salary and may not exceed the fixed remuneration for the executive concerned for the year in question.

Share-based payment – Senior executives may be offered incentives in the form of synthetic options if such an offer is directed to all permanently employed personnel in the company. Payments under such an incentive program shall not be pensionable.

Period of notice and termination benefits – A reciprocal period of notice of six months shall apply to senior executives. Termination benefits, including salary during the period of notice, may not exceed 24 monthly salary payments.

The Board retains the right to deviate from the guidelines if there are particular reasons for this in an individual case.

PARENT COMPANY

The parent company's primary operations are the performance of Group-wide services. In addition, the parent company owns a small number of properties. Total sales for the year amounted to SEK 299 million (264), of which rental income constituted SEK 80 million (69). During the year, long-term market interest rates in particular have fallen, which had a negative effect on the value of interest rate derivatives with changes in value on financial interest rate derivative instruments of SEK -156 million (189). Profit/loss after tax amounted to SEK -111 million (-210), as did comprehensive income. Profit/loss for the period included dividends from subsidiaries of SEK 500 million (200). Investments in non-current assets during the period amounted to SEK 188 million (108). Parent company external loans amounted to SEK 9,680 million (8,833) on closing day. In 2016, the average number of employees in the parent company was 222 (212).

THE WALLENSTAM SHARE

The number of shares in Wallenstam AB consists of 34,500,000 A shares, which carry ten votes each, and 305,500,000 B shares, which carry one vote each. The Wallenstam B share is listed on Nasdaq Stockholm, Large Cap. The number of registered shares totaled 340,000,000 and the registered share capital is SEK 170,000,000, corresponding to a quota value of SEK 0.50 per share, like the previous year. During 2016, the Wallenstam share price increased in value by just over 4 percent. The property indices OMX Stockholm Real Estate and OMX Stockholm PI increased by 8 percent and 6 percent respectively during the same period.

At the end of the period, the Wallenstam share price was SEK 70.90 (68.00) and the market capitalization was SEK 24,106 million (23,120) based on the number of registered A and B shares. Equity per share amounted to SEK 54 (45). The highest price paid during the year was SEK 75.50 (77,00) and the lowest was SEK 55.60 (57.70).

A total of 80.6 million (83.6) Wallenstam shares were traded at a value of SEK 5,436 million (5,705) on Nasdaq Stockholm. The average daily turnover totaled around SEK 21.5 million (22.7).

Wallenstam's Board of Directors has a mandate from the AGM to repurchase shares. During 2016, 2,800,000 shares (2,200,000) were repurchased, which corresponds to 0.8 percent (0.6) of the share capital at an average price of SEK 68.56 (68.16) per share, SEK 192 million (150) in total. The company holds 11,000,000 treasury shares, corresponding to 3.2 percent of the share capital and a quota value of SEK 5.5 million. Total expenditure on treasury shares amounted to SEK 654 million (462), equivalent to SEK 59.42 (56.30) per share.

EVENTS AFTER THE END OF THE REPORTING PERIOD

On January 25, 2017, it was announced that Thomas Dahl, Vice CEO with responsibility for Wallenstam's operations in Gothenburg and Skåne, has decided to leave the company. Thomas, who has worked in the company since 1988 and has been Vice CEO since 2007, will leave his position on June 30, 2017.

In late January, the Swedish Union of Tenants, Western Sweden Region and the Swedish Property Federation GFR reached an agreement concerning rents for 33,000 households in the Gothenburg area. For Wallenstam, the agreement means an average rent increase of 1.3 percent for both 2016 and 2017.

FUTURE

The current business plan covers the years 2014-2018 and involves an aggressive new construction tempo with efficient property management in focus. This is summarized in an overall target to achieve average growth in net asset value, excluding dividends and repurchases, of at least 10 percent per year during the period.

For the period 2014-2016, average growth was 16.4 percent per year. During 2017, we plan to invest the equivalent of SEK 2-3 billion, of which the majority relates to new construction. The chosen strategy of attractive property holdings concentrated mainly in Stockholm and Gothenburg provides a stable foundation for future growth.

DIVIDEND POLICY

Recognized earnings should in the first instance be reinvested in the operations to enable continued development of the Group's core business and thus create increased growth in net asset value. The ambition is also for the operations to provide a stable level of dividends over the long term. However, the distributable amount must never exceed profit before unrealized changes in value and impairment charges after the standard tax rate. When determining the size of the dividend, consideration must also be given to the Group's investment requirements, its equity/assets ratio and its position in general, and the ability of the Group to develop further in the future while maintaining its financial strength and freedom of action.

The Board of Directors will propose that the Annual General Meeting approve the following:

Proposed appropriation of profit, SEK

The following earnings are at the disposal of the Annual General Meeting:	
Profit brought forward	4,662,890,060
Net profit for the year	-111,140,038
Total	4,551,750,022
Shareholder dividend SEK 1.70 per share	558,790,000
To be carried forward	3,992,960,022
Total	4,551,750,022

The Board of Director's proposed appropriation of profit is that a dividend of SEK 1.70 per share be distributed, spread over two payment dates, of SEK 0.85 each per share. In the company, there is a total of 340,000,000 shares, of which 11,300,000 are non dividend-paying repurchased own shares up to February 22, 2017. The total of the above proposed dividend of SEK 558,790,000 may change if the number of repurchased own shares changes before each record day for dividend.

STATEMENT BY THE BOARD OF DIRECTORS ON THE PROPOSED DISTRIBUTION OF PROFITS

Consolidated equity has been determined in accordance with the IFRS standards adopted by the EU and their interpretations (IFRIC), and in accordance with Swedish legislation, including by application of the Swedish Financial Reporting Board's recommendation RFR 1. Parent company equity has been determined in accordance with Swedish legislation and by application of the Swedish Financial Reporting Board's recommendation RFR 2.

The proposed dividend is in line with the dividend policy established by the Board in that the amount available for distribution does not exceed the profit before unrealized changes in value and impairment losses after the standard tax rate. When determining the size of the dividend, the Board also considered the Group's investment requirements, need to strengthen its balance sheet and position in general, and the ability of the Group to develop further in the future while maintaining its financial strength and freedom of action.

The proposed dividend to shareholders reduces the company's equity/assets ratio from 20 percent to 18 percent. The Group's equity/assets ratio will fall by less than 1 percentage point, from 45 to 44 percent, as a result of the proposed dividend. The equity/assets ratio is satisfactory considering that the company's and the Group's operations continue to be run profitably. It is expected that liquidity in the company and Group can be maintained at a similarly satisfactory level.

Derivative instruments and other financial instruments have been measured at fair value according to Chapter 4, Section 14a of the Swedish Annual Accounts Act (1995:1554), which has resulted in a deficit after tax of SEK 747 million, which affected equity by the same amount.

In the view of the Board, the proposed dividend will not prevent the company or any other Group companies from fulfilling their obligations in either the short or the long term, nor from carrying out necessary investments. The proposed dividend can thus be justified in respect of the provisions of the Companies Act (2005:551), Chapter 17, Section 3, paragraphs 2–3 (the prudence rule).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK MILLION	Note	2016	2015
Rental income	3	**1,607**	1,549
Operating expenses	4	**-434**	-419
Net operating income, properties		**1,173**	1,130
Management costs and administrative expenses	4, 5	**-191**	-188
Financial income	8	**8**	20
Financial expenses	8	**-257**	-290
Income from property management		**733**	672
Income from natural energy management operations	9	**-61**	-5
Capital gain/loss hydroelectric power	9	**-**	-29
Revenue, co-op apartments sales	10	**127**	1,203
Expenses, co-op apartments sales	10	**-104**	-992
Realized change in value, investment properties	11	**170**	178
Profit before unrealized changes in value and impairment losses.		**865**	1,027
Unrealized changes in value, investment properties	11	**3,470**	2,507
New construction		**1,195**	639
Other		**2,275**	1,868
Unrealized change in value, financial instruments	8, 18	**-130**	165
Unrealized change in value, synthetic options	5	**-7**	-31
Impairment losses on non-current assets	15	**-**	-250
Profit before tax		**4,198**	3,418
Current tax	12	**0**	-1
Deferred tax	12	**-850**	-663
Profit for the year, after tax		**3,348**	2,754
OTHER COMPREHENSIVE INCOME			
Items that may be transferred to profit/loss for the year			
Translation difference		**6**	-13
Change in value of available-for-sale financial assets		**23**	-
Tax attributable to other comprehensive income	12	**-4**	3
Comprehensive income		**3,373**	2,744
DISTRIBUTION PROFIT/LOSS FOR THE YEAR			
Attributable to non-controlling interests		**-**	11
Attributable to parent company shareholders		**3,348**	2,743
PER-SHARE DATA			
Profit after tax, SEK; dilution does not occur		**10.1**	8.3
Dividend, SEK (proposed for 2016)		**1.70**	1.50
Average number of outstanding shares at year-end, thousands		**330,409**	333,536

COMMENTS ON GROUP RESULT

Rental income, operating expenses and net operating income, properties
Rental income amounted to SEK 1,607 million (1,549), which corresponds to an increase of 4 percent and of SEK 58 million. Excluding income from acquired and divested properties, rental income increased by SEK 101 million, corresponding to growth of almost 7 percent. This growth was mainly the result of additional recently constructed apartment buildings as well as successful new lets and rent negotiations with our commercial tenants.

Operating expenses for the year amounted to SEK 434 million (419), of which new property taxation for 2016, accounted for most of the cost increase, SEK 9 million. In addition, net operating income was impacted by two large conversion projects, for which premises were vacated, with reduced income but maintained operating expenses as a consequence. Net operating income increased by almost 4 percent and amounted to SEK 1,173 million (1,130). Excluding the effects of acquired and divested properties, net operating income for the period was almost 7 percent better than the previous year, of which additional new production accounted for nearly two thirds of this growth.

Income from property management operations
Income from property management operations amounted to SEK 733 million (672), which was an improvement of 9 percent compared to the previous year. Property management costs and administrative expenses were SEK 3 million higher than the previous year. Net financial items for properties strengthened and was SEK 21 million lower overall than the previous year. The improved net financial items was due to efficient asset management and lower average interest for the year of 2.04 percent (2.32).

Income from natural energy management operations
Income from natural energy management operations consists of revenue less expenses including depreciation, interest expenses and administrative expenses attributable to electricity trading and electricity generation. Income from management operations is also impacted by remeasurement effects relating to renewable energy certificates. Depreciation is based on the cost value.

Income from natural energy management operations amounted to SEK -61 million (-5) for the year and included wind turbine depreciation of SEK 96 million (94), which does not affect cash flow. During 2016, 352 GWh (415) of electricity was produced. Net profit for the year was primarily impacted by lower production than the previous year, which was a very good year for wind, and also by a lower price for renewable energy certificates. During the year, the price of a renewable energy certificate fell from SEK 165 per certificate to SEK 116, which generated a negative remeasurement effect on revenue of SEK 28 million. As most renewable energy certificates are contracted for sale at a higher price than the closing day price, there is a latent surplus value for renewable energy certificates in inventory of SEK 34 million.

Expenses during the year were charged with a non-recurring adjustment of SEK 3 million for property tax on wind turbines relating to prior periods, due to the change in property tax from 0.2 percent to 0.5 percent.

Profit from co-op apartment production
Revenue from sales of cooperative apartments refers to remuneration from sales of cooperative apartment units. The cost of the sold cooperative apartment units is recognized as an expense. The expenses also include selling and marketing expenses, which are recognized on an ongoing basis as they arise. Cost and revenue are recognized when a property is handed over to the purchaser. Net profit for the year from sales of cooperative apartments amounted to SEK 23 million (211) and mainly included sales of a small number of individual co-op apartments.

Change in value, investment properties
Realized change in value, investment properties – As shown below, properties were sold for a total of SEK 1,179 million (2,129). In relation to the amount invested of SEK 570 million (1,293), Wallenstam will realize a profit of SEK 609 million (836) through these sales. Since the divested properties were held for an average of 11 years, this corresponds to an average annual value growth of 6.8 percent. The major part of this value growth was recognized on an ongoing basis in the consolidated income statement throughout the period of ownership as a component of the item Unrealized change in value, investment properties. The sales were completed at 19 percent (11) above the current valuation.

Unrealized changes in value, investment properties was positive during the year and totaled SEK 3,470 million (2,507), of which the value growth from our own cost-efficient new construction generated by our own work accounted for SEK 1,195 million (639). Properties that have been in operation for one calendar year or more are classified as Other investment property, which is a small update from before. The updated definition of Other investment property does not impact profit but will generate a non-recurring effect between Unrealized changes New construction and Unrealized changes in value Other investment properties of just over SEK 200 million.

The value growth from the existing holdings was generated through improved net operating income from the year's rental negotiations and more efficent property operations, and due to strong demand for properties with falling yield requirements in the market as a consequence. Our deliberate concentration strategy with attractive properties in popular locations is expected to contribute positively to both growth in rental income and demand for properties.

Unrealized changes in value, financial instruments
Wallenstam uses electricity, currency and interest rate derivatives to extend credits with a short fixed interest terms and obtain desired interest maturity profiles. If the contracted price deviates from the market price for derivatives, this difference in value is recognized in profit or loss.

On closing day, the 10-year swap rate amounted to 1.09 percent, compared to 1.61 percent at the start of the year. As both short- and long-term market rates of interest have fallen since year-end, the development in the value of interest rate derivatives was negative, SEK -156 million (189) in total. There was a positive change in value in electricity derivatives of SEK 25 million (-24) due to rising electricity prices in late 2016. Changes in value of other financial instruments amounted to SEK 1 million (0) on closing day. The changes in value of derivatives only affect cash flow when they are realized. The change in value of interest rate derivatives does not affect the average interest rate.

Realized profit from sales of investment properties

SEK million	2016	2015
Sales revenue	**1,179**	2,129
Cost and investments	**-570**	-1,293
Previously recognized change in value	**-422**	-632
Realized change in value, investment properties	**187**	204
Selling and administrative expenses	**-17**	-26
Realized change in value, investment properties including expenses	**170**	178

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK million	Note	Dec 31, 2016	Dec 31, 2015
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Capitalized expenses, computer software	13	**15**	14
Total intangible assets		**15**	14
Property, plant and equipment			
Investment properties	11, 14	**36,555**	32,090
Wind turbines incl. constructions in progress	15	**1,277**	1,366
Equipment	16	**48**	49
Total property, plant and equipment		**37,880**	33,505
Financial assets			
Other securities held as non-current assets and other shares of property interests	17, 29	**110**	50
Other non-current receivables	17, 29	**266**	288
Financial derivative instruments	18, 29	**9**	-
Total financial assets		**385**	338
TOTAL NON-CURRENT ASSETS		**38,280**	33,857
CURRENT ASSETS			
Intangible assets	19	**89**	100
Work in progress, co-op apartments and development properties constructed for sale	20	**734**	32
Trade receivables	3, 21, 29	**26**	16
Other receivables	22, 29	**102**	408
Prepaid expenses and accrued income	23, 29	**55**	69
Financial derivative instruments	18, 29	**3**	15
Participations in properties	24, 29	**15**	28
Cash and cash equivalents	25, 29	**98**	41
Total current assets		**1,122**	709
TOTAL ASSETS		**39,402**	34,566
EQUITY AND LIABILITIES			
EQUITY	26		
Share capital		**170**	170
Other contributed capital		**359**	359
Other reserves		**1**	-24
Profit brought forward		**17,246**	14,586
Non-controlling interests		**12**	12
Total equity		**17,788**	15,102
NON-CURRENT LIABILITIES			
Provisions for deferred tax	27	**3,568**	2,716
Other provisions	28	**13**	-
Interest-bearing liabilities	29	**1,399**	1,599
Financial derivative instruments	18, 29	**966**	822
Other liabilities	29	**86**	77
Total non-current liabilities		**6,032**	5,214
CURRENT LIABILITIES			
Interest-bearing liabilities	29	**15,074**	13,554
Financial derivative instruments	18, 29	**4**	39
Trade payables	29	**134**	166
Other liabilities	29	**37**	170
Accrued expenses and deferred income	29, 30	**333**	321
Total current liabilities		**15,582**	14,250
TOTAL EQUITY AND LIABILITIES		**39,402**	34,566
Pledged assets	31	**15,165**	14,225
Contingent liabilities	32	**128**	30

COMMENTS ON THE CONSOLIDATED BALANCE SHEET

ASSETS

Investment properties

Investment properties are our rental properties for our own management operations. If an investment is started in a new or existing investment property, the property is also recognized as an investment property during its construction or conversion phase.

During the year, the property holdings changed as follows:

Change in investment properties	Book value, SEK million
Property holdings OB	32,090
+ Acquisitions	223
+ Construction	2,022
- Sales	-992
- Reclassification co-op apartments and development properties for sale	-258
+ Unrealized change in value, net	3,470
Investment properties CB	36,555

During the year, a total of SEK 2,245 million (3,027) was invested in investment properties, of which acquisitions amounted to SEK 223 million (1,270), and investment in new construction, extensions and conversions totaled SEK 2,022 million (1,757).

Wallenstam determines the property value through internal valuations based on a cash flow model with individual assessment of each property. The assessment considers both future earning potential and market yield requirements. Changes in rent levels, occupancy rates and property operating expenses are included when assessing a property's future earning potential. Yield requirements differ between properties depending on the market and type of property. Analyses and comparisons are made with current price statistics for similar items of property. Wallenstam completes a significant number of property transactions every year which provides a good feel for the market. The estimated yield value is reduced by anticipated future investment requirements and two years' rent for vacant floor space.

This item also includes land and building rights measured at market value. The total value of new construction in progress, land and building rights amounted to SEK 3,428 million (2,648).

Wind turbines

Wind turbines are recognized at cost less accumulated depreciation and any impairment losses. Depreciation is applied according to plan over the equipment's useful life, estimated at 25 years from the date of completion. The closing value after depreciation and impairment losses in relation to cost amounted to SEK 1,277 million (1,366). At year-end, the installed output amounted to 139 MW (139).

Work in progress co-op apartments and development properties constructed for sale

Work in progress, co-op apartments covers the Group's investments in construction of co-op apartment projects and development properties constructed for sale. These are measured in the balance sheet at cost and recognized as an expense in the income statement when the customer takes possession of the apartment.

EQUITY AND LIABILITIES

Equity

Shareholders' equity amounted to SEK 17,788 million (15,102), which is equivalent to SEK 54 per share (45). The equity/assets ratio was 45 percent (44). Shareholders' equity was impacted by comprehensive income, dividends and repurchases.

Interest-bearing liabilities

Wallenstam's financing consists of conventional bank loans including overdraft facilities, commercial paper with a limit of SEK 4 billion and bonds totaling SEK 1,500 million. The loan-to-value ratio decreased from 45 percent to 43 percent in relation to the Group's investments in properties, ongoing co-op apartment and development properties constructed for sale projects and wind power.

The loans are primarily secured against traditional mortgage deeds in properties. Of the loans, 47 percent (54) have fixed interest terms of more than one year. The average remaining fixed interest term is 37 months (39). The average effective interest rate on closing day, taking into account the effects of derivative contracts entered into, was 1.97 percent (2.22). Of the interest-bearing liabilities, loans with capital tied up for long terms amounted to 8 percent (11) of the total portfolio.

Financial derivative instruments

Wallenstam's financial derivative instruments consist mainly of interest rate derivatives and electricity derivatives. During the year, the change in value of entered into derivative instruments was negative due to falling interest rates, which increased the deficit for interest rate derivatives. However, the development of electricity derivatives was positive. The total closing recognized deficit from derivative instruments was SEK 958 million (846).

Provisions for deferred tax

A net deferred tax liability of SEK 3,568 million (2,716) is recognized in the balance sheet, which consists of a deferred tax liability of SEK 4,383 million (3,540) and a deferred tax asset of SEK 815 million (824). Deferred tax liabilities in the Group relate mainly to differences between the carrying amounts of properties and their fiscal values. The deferred tax asset is mainly attributable to tax loss carryforwards that are expected to be utilized against future tax surpluses.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK million	Note 26	Share capital	Other contributed capital	Other reserves	Profit brought forward	Minority share	Total equity
		Attributable to the parent company shareholders					
OPENING BALANCE, JAN 1, 2015		170	359	-14	12,368	0	12,883
Net profit for the year		-	-	-	2,743	11	2,754
OTHER COMPREHENSIVE INCOME							
Items that may be reclassified to net profit for the period							
Translation difference		-	-	-13	-	-	-13
Tax attributable to other comprehensive income		-	-	3	-	-	3
TRANSACTIONS WITH THE COMPANY'S OWNERS							
Dividend		-	-	-	-376	-	-376
Repurchase own shares		-	-	-	-150	-	-150
CLOSING BALANCE, DEC 31, 2015		170	359	-24	14,586	12	15,102
OPENING BALANCE, JAN 1, 2016		**170**	**359**	**-24**	**14,586**	**12**	**15,102**
Net profit for the year		**-**	**-**	**-**	**3,348**	**-**	**3,348**
OTHER COMPREHENSIVE INCOME							
Items that may be reclassified to net profit for the period							
Translation difference		**-**	**-**	**6**	**-**	**-**	**6**
Change in value of available-for-sale financial assets		**-**	**-**	**23**	**-**	**-**	**23**
Tax attributable to other comprehensive income		**-**	**-**	**-4**	**-**	**-**	**-4**
TRANSACTIONS WITH THE COMPANY'S OWNERS							
Dividend		**-**	**-**	**-**	**-497**	**-**	**-497**
Repurchase own shares		**-**	**-**	**-**	**-192**	**-**	**-192**
CLOSING BALANCE, DEC 31, 2016		**170**	**359**	**1**	**17,246**	**12**	**17,788**

CLASSIFICATION OF EQUITY

Share capital

The item share capital includes the registered share capital of the parent company. Share capital consists of 34,500,000 A shares (quota value SEK 0.50) and 305,500,000 B shares (quota value SEK 0.50).

Other contributed capital

Other contributed capital includes the total amount from transactions that Wallenstam AB had with its shareholders. The transactions that took place were share issues at a premium. The amount included in other capital contributed therefore corresponds wholly to capital received above the nominal amount of the issue.

Other reserves

Other reserves consist of change in value of financial instruments for sale and translation differences.

Profit brought forward

Profit brought forward is equivalent to the total accumulated profits and losses generated in the Group, less dividends paid and repurchases of shares.

CAPITAL MANAGEMENT

Consolidated equity amounted to SEK 17,788 million (15,102) at year-end. The return on equity was 20.9 percent (19.6). The Group's financial strategy is based on the creation of satisfactory financial conditions for operation and development of new construction, which we achieve through a value-creating business. Net asset value and the equity/assets ratio are therefore important metrics for our capital management where the goal is that the equity/assets ratio should not be less than 30 percent and the realized interest coverage ratio on a rolling full-year basis should not be less than 2 times. At the end of 2016, the equity/assets ratio was 45 percent (44).

Wallenstam's dividend policy prescribes that recognized profit in the first instance be reinvested in the company for continued development of the property holdings and increased growth in value. However, the distributable amount must never exceed realized profit after the standard tax rate. The Board of Directors proposes a dividend for 2016 of SEK 1.70 per share (1.50). Calculated on outstanding dividend-paying shares, the proposed dividend amounts to about SEK 559 million. Wallenstam conducts share repurchasing as a way to modify the company's capital structure. No changes to the Group's principles for capital management occurred during the year.

Wallenstam's goal has been to achieve an average rate of net asset value growth, excluding dividends and repurchases, of 10 percent per year in the period until the end of 2018. Net asset value includes equity and deferred tax liability. Deferred tax liability refers mainly to differences between carrying amounts and fiscal values of the Group properties. In 2016, average growth in net asset value, excluding dividends and repurchases, was 22.6 percent.

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK million	Note	**2016**	2015
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before unrealized changes in value*		**865**	1,027
Adjustment for items not included in the cash flow	33	**-134**	-312
Tax paid		**0**	0
Cash flow before change in working capital		**731**	715
CHANGE IN WORKING CAPITAL			
Current receivables		**76**	-319
Current liabilities		**-141**	63
Change in working capital		**-65**	-256
CASH FLOW FROM OPERATING ACTIVITIES		**666**	459
CASH FLOW FROM INVESTING ACTIVITIES*			
Investments in properties		**-2,748**	-3,266
Purchase of equipment, wind turbines and intangible assets		**-9**	-15
Investments in financial assets		**-28**	-13
Divestment of properties, co-op shares and property, plant & equipment		**1,174**	3,414
CASH FLOW FROM INVESTING ACTIVITIES		**-1,611**	120
CASH FLOW FROM FINANCING ACTIVITIES			
Raised interest-bearing liabilities		**5,080**	6,160
Amortization of interest-bearing liabilities		**-3,759**	-6,229
Dividend paid		**-497**	-376
Repurchase of own shares		**-192**	-150
Sales and amortization of financial assets		**370**	-
CASH FLOW FROM FINANCING ACTIVITIES		**1,002**	-594
CHANGE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		**41**	56
Cash flow for the year		**57**	-15
Cash and cash equivalents at the end of the year		**98**	41
Unutilized overdraft facility at year-end		**800**	631
Conditional unutilized overdraft facility		**39**	-
Blocked bank funds		**-7**	-7
Available liquid assets	25	**930**	665

*Interest paid and received are included of SEK -346 million (-362) and SEK 9 million (9) respectively, of which SEK 56 million (40) was capitalized as a non-current asset.

GROUP ACCOUNTING PRINCIPLES AND NOTES

NOTE 1. GROUP ACCOUNTING PRINCIPLES

GENERAL INFORMATION

Wallenstam AB (publ) is a Swedish public limited company with its registered office in Gothenburg. The Wallenstam B share is listed on Nasdaq Stockholm, Large Cap segment. The parent company is Wallenstam AB (publ), with corporate identity number 556072-1523 and the company's address is SE-401 84 Gothenburg, with visiting address Kungsportsavenyen 2.

The Group's operations are conducted through subsidiaries and its operations are described in the Administration Report. The annual accounts and consolidated financial statements for Wallenstam AB (publ) for the financial year ending December 31, 2016 were approved by the Board of Directors and the Chief Executive Officer on March 15, 2017 and will be presented to the Annual General Meeting (AGM) on April 26, 2017 for approval.

General principles and information about the consolidated financial statements follow below. Accounting principles, Assessments and estimates and Risks are presented after that more specifically in direct connection to each note in order to give the reader a better understanding of the respective income statement and balance sheet items.

- Accounting principles are indicated by ✻.
- Assessments and estimates are indicated by ≈.
- Risks are indicated by !.

BASIS OF ACCOUNTING

The consolidated financial statements have been prepared in accordance with EU-approved International Financial Reporting Standards (IFRS) and interpretations from the International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2016. In addition, the Group applies the Swedish Financial Reporting Board's recommendation RFR 1, "Supplementary Accounting Rules for Groups".

The parent company applies the same accounting principles as the Group with the exceptions and additions described in the Swedish Financial Reporting Board's recommendation RFR 2, "Accounting for Legal Entities". This means that IFRS is applied with the exceptions described in direct connection to each parent company note.

The accounting principles for the Group have been applied consistently in the reporting and consolidation of the parent company and all subsidiaries in all the periods presented in the consolidated financial statements, unless otherwise indicated below.

The functional currency of the parent company and the Group's presentation currency is the Swedish krona (SEK). All amounts are stated in millions of Swedish kronor (SEK million) unless otherwise indicated. The financial statements for the Group have been prepared based on historical cost, which means that assets and liabilities are recognized at these values with the exception of properties and certain financial instruments and renewable energy certificates, which are measured at fair value.

Classification

Non-current assets and non-current liabilities consist of amounts that are expected to be recovered or paid more than twelve months after closing day. Current assets and current liabilities consist of amounts that are expected to be recovered or paid within twelve months of closing day.

New and amended accounting principles

No new or amended standards were applied from 2016. For information about new standards, see more below.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements cover the parent company and all companies in which the parent company directly or indirectly has more than 50 percent of the voting rights or exercises control in another way. Control means that the Group can influence the investment in a way that affects its return or provides other benefits. The assessment takes into consideration de facto control, which means that control may exist even if a majority of the votes are not held.

Consolidated financial statements are prepared according to the purchase method, which means that equity in subsidiaries at the time of acquisition is eliminated in its entirety, and is based on accounting information prepared for all Group companies as of December 31, 2016. Consolidated equity thus includes only the portion of a subsidiary's equity earned since the acquisition. Profits/losses from companies acquired or divested during the year are included in the consolidated financial statements at amounts corresponding to the holding period. An acquisition analysis is prepared in connection with the acquisition to determine the cost of the participations and the fair value of acquired assets and assumed liabilities and contingent liabilities. Internal transactions between Group companies and intercompany dealings including internal profits are eliminated when preparing the consolidated financial statements. The Group's foreign operations are translated into the Group's functional currency (SEK) by translating balance sheets at the closing day exchange rate (current method), except for equity, which is translated at the historical exchange rate at the time of acquisition. Income and expense items are translated at the average exchange rate for the period. The translation differences that arise are recognized in other comprehensive income. Accumulated translation differences form part of the Group's equity among other reserves and are transferred and recognized as a component of capital gains or losses when a foreign subsidiary is divested. Monetary items in foreign currency are translated at the closing day exchange rate, at which time realized and unrealized exchange differences are recognized through profit or loss. Exchange gains/losses related to operations are recognized under operating income and operating expenses respectively. Financial exchange gains/losses are recognized as financial income and expenses.

The proportion of equity attributable to owners with non-controlling interests (previously designated minority holdings) is reported as a special item in equity separate from the parent company shareholders' share of equity. In addition, this share of profit/loss for the period is disclosed separately.

Impairment losses

Certain assets such as intangible and tangible equipment, wind turbines, work in progress co-op apartments and development properties constructed for sale, are subject to testing for impairment under IAS 36. When there are indications that an asset has fallen in value, an assessment of the asset's carrying amount is carried out. In cases where the carrying amount exceeds the estimated recoverable amount, the asset is written down to its recoverable amount. An impairment loss is recognized in the income statement. Previous impairment losses are reversed if the conditions for the impairment loss no longer exist. The maximum amount of the reversal is the asset's cost less estimated depreciation according to plan until closing day. Reversals are recognized through profit or loss. See Notes 13, 15, 16 and 20.

NOTE 1. GROUP ACCOUNTING PRINCIPLES, CONT.

ASSESSMENTS AND ESTIMATES

In order to prepare the financial reporting in accordance with IFRS and generally accepted accounting principles, the company management must make various assumptions, assessments and estimates that through the choice of accounting principles or other assumptions, affect for example assets and liabilities, revenue and expenses, contingent assets and contingent liabilities and other information recognized in the accounts. These assessments and estimates are based on historical experience and expectations about future events that are considered reasonable in the current circumstances. By their very nature, actual outcomes may differ significantly from these assessments and estimates if other assumptions are made or other conditions exist or arise. Changes to estimates are recognized during the period in which they are made if they affect that period only, or in the period in which they are made and future periods if the change affects both current and future periods.

CHANGES IN SWEDISH REGULATIONS

Swedish Financial Reporting Board

Changes made in 2016 have not had any impact on Wallenstam's reporting.

Amendments of accounting principles and disclosures

New and revised existing standards, which are approved by the EU

No new or amended standards and new interpretations which entered into force in 2016 had any impact on Wallenstam's financial reporting.

New standards and changes to standards which entered into force in 2016

The standards that entered into force during 2016 are IAS 1 Presentation of Financial Statements (Materiality principle), IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortization), IAS 16 Property, Plant and Equipment and IAS 41 Agriculture (Bearing plants), Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (Consolidation exception), IFRS 11 Joint Arrangements (Acquisition of interests in joint operations) and Improvements to IFRS standards during the 2012-2014 period. None of these changes had any impact on Wallenstam's reporting.

New standards and interpretations which enter into force in 2017

The following standards have been amended and the amendments will become effective from 2017:

- Amendments to IAS 7 Statement of Cash Flows ("Disclosure Initiative")
- Amendments to IAS 12 Income Taxes (Recognition of Deferred Tax Assets for Unrealised Losses)
- Improvements of IFRS standards during the 2014-2016 period.

These future amendments to standards will impact Wallenstam's income statement and balance sheet to a limited extent.

NOTE 2. SEGMENT INFORMATION

ACCOUNTING PRINCIPLE

Operating segments are reported in a manner that corresponds to the internal reporting to the chief operating decision-maker, Wallenstam's CEO. Operations are conducted and followed-up in the Group's three reporting business areas: properties in the Gothenburg region, properties in the Stockholm region and renewable energy through Svensk NaturEnergi. In the other segment, certain central items are reported which are not allocated to business areas such as office properties, change in value of derivatives and change in value synthetic option program. Intra-Group transactions are eliminated in the eliminations column.

The accounting principles applied in the segment information essentially correspond with the Group's accounting principles. For the Svensk NaturEnergi business area, however, derivative instruments are presented differently in the income statement and in the segment information, since in the internal reporting (which is reflected in the segment information) these instruments qualify for hedge accounting. An expense that is recognized under change in value, electricity derivatives in the consolidated income statement is not recovered and is therefore never recognized as an operating expense. In the segment information, however, changes in value are presented net and as an operating expense item, equivalent to the cash flow effect. There is a corresponding difference in presentation for changes in value of renewable energy certificates after initial recognition. For this reason, income from natural energy management operations is presented differently in the consolidated income statement and in the segment information.

Segment information

SEK million	2016 Gothenburg region	2016 Stockholm region	2016 Svensk NaturEnergi	2016 Other	2016 Eliminations	2016 Total	2015 Gothenburg region	2015 Stockholm region	2015 Svensk NaturEnergi	2015 Other	2015 Eliminations	2015 Total
INCOME STATEMENT												
Rental income	1,140	458	-	9	-	1,607	1,105	434	-	17	-7	1,549
Operating expenses	-282	-144	-	-3	-5	-434	-268	-142	-	-9	-	-419
Electricity revenue	-	-	216	-	-216	-	-	-	258	-	-258	0
Electricity expenses	-	-	-213	-	213	-	-	-	-210	-	210	0
Net operating income	858	314	3	6	-8	1,173	837	292	48	8	-55	1,130
Management costs and administrative expenses	-108	-77	-27	-11	32	-191	-110	-75	-32	-10	39	-188
Net financial items	-183	2	-30	-68	30	-249	-197	-21	-33	-52	33	-270
Income from management operations	567	239	-54	-73	54	733	530	196	-17	-54	17	672
Income from natural energy management operations	-	-	-	-	-61	-61	-	-	-	-	-5	-5
Profit from sales of co-op apartments	3	18	-	2	-	23	8	206	-	-3	-	211
Capital gain/loss hydroelectric power assets	-	-	-	-	-	-	-	-	-29	-	-	-29
Realized change in value, investment properties	22	148	-	-	-	170	79	99	-	-	-	178
Profit/loss before unrealized changes in value and impairment losses	592	405	-54	-71	-6	865	617	501	-46	-57	12	1,027
Unrealized change in value, investment properties	1,889	1,568	-	12	-	3,470	1,357	1,147	-	3	-	2,507
Unrealized change in value, financial instruments and renewable energy certificates	-	-	19	-155	6	-130	-	-	-12	189	-12	165
Unrealized changes in value, synthetic options	-	-	-	-7	-	-7	-	-	-	-31	-	-31
Impairment losses on non-current assets	-	-	-	-	-	-	-	-	-250	-	-	-250
Profit/loss before tax	2,481	1,974	-35	-221	-	4,198	1,974	1,648	-308	104	0	3,418
BALANCE SHEET												
Investment properties	23,486	12,448	-	621	-	36,555	20,932	10,562	-	596	-	32,090
Wind turbines	-	-	1,277	-	-	1,277	-	-	1,366	-	-	1,366
Work in progress, co-op apartments and development properties constructed for sale	521	213	-	-	-	734	-	32	-	-	-	32
Undistributed assets	-	-	-	-	-	836	-	-	-	-	-	1,078
Total assets						39,402						34,566
Equity	-	-	-	-	-	17,788	-	-	-	-	-	15,102
Loans	9,807	1,734	1,439	3,493	-	16,473	9,558	1,756	1,203	2,636	-	15,153
Undistributed liabilities	-	-	-	-	-	5,141	-	-	-	-	-	4,311
Total equity and liabilities						39,402						34,566
Investments properties	1,139	1,203	0	9	-	2,351	833	1,069	-	-	-	1,902

NOTE 3. RENTAL INCOME

ACCOUNTING PRINCIPLE

The Group recognizes income when the amount can be measured reliably and it is probable that future economic benefits will accrue to the Group. Rental agreements attributable to Wallenstam's investment properties are considered operating leases according to IAS 17. Income comprises the fair value of what will be received in the Group's operating activities. Recognized income refers mainly to rental income. Where applicable, rental income includes services provided by Wallenstam such as cable TV, electricity and heating. The income is recognized net less any rebates. Rental income is notified in advance, allocated to periods in accordance with rental agreements and recognized as income during the rental period concerned. Rent paid in advance is recognized as prepaid rental income.

Rebates provided in the case of infringements on rights of use, e.g. during conversions and/or in connection with occupation, are recognized in the period they concern. Compensation in connection with the early termination of rental agreements is immediately recognized as income if no obligations towards the tenant remain.

CREDIT RISK

Wallenstam's credit risks can mainly be attributed to outstanding rent and trade receivables, promissory notes, cash and cash equivalents and financial derivatives. Losses from rents receivable and trade receivables occur when customers are unable for some reason to fulfil their payment obligations. The risks are limited as Wallenstam mainly works with established customers that have competitive operations and a documented ability to pay. In cases where a counterparty's ability to pay is considered uncertain, in accordance with its credit policy, Wallenstam will demand a bank guarantee, a surety or in the case of a new let, rent in advance (deposit). Wallenstam has a large diversification of risks in its contract portfolio with about 1,800 commercial contracts and 13,000 residential and parking contracts.

The Group's exposure to credit risk from individual customers is limited considering the terms of rental agreements and the relative importance of customers. Wallenstam's ten largest property tenants represent approximately 8 percent (9) of Wallenstam's assessed full-year value. Rental income is mainly based on agreements and fixed rental income, as turnover-based rent only occurs to a very limited extent. The table below shows the terms and size of rental agreements for both commercial and residential tenants.

The maximum credit risk corresponds to the book value of derivatives, promissory note-, trade- and other current receivables including accrued income and cash holdings, which amount to SEK 511 million (764), with assets having been pledged for promissory note receivables of SEK 298 million (252). See also Note 29, Classification of financial instruments.

Rental income

SEK million	2016	2015
Residential, parking	**748**	723
Commercial premises	**859**	826
Total rental income	**1,607**	1,549
Change in rental income between 2015 and 2016		
Rental income according to income statement	**1,549**	1,566
Change in rental income, existing properties	**40**	32
New construction	**61**	55
Acquired properties	**6**	28
Sold properties	**-48**	-132
Rental income according to income statement	**1,607**	1,549
Adjustment to current full-year value		
Vacancies and vacated properties	**88**	72
Rental value, December 31	**1,695**	1,621

The Group's rental income consists of income at agreed rental rates as turnover-based rent only occurs to a very limited extent. Vacation of two properties to carry out projects had a negative impact on Changes in rental income, existing properties of SEK 18 million.

NOTE 3. RENTAL INCOME, CONT.

Rental contract sizes

	Number of contracts	SEK million, assessed full-year value	Total, %
Above SEK 5 million	21	138	8
SEK 4.0–5.0 million	12	134	8
SEK 3.0–4.0 million	17	184	10
SEK 2.0–3.0 million	48	115	7
SEK 1.0–2.0 million	139	67	4
SEK 0.5–1.0 million	203	63	4
Under SEK 0.5 million	1,315	184	10
Total commercial premises	1,755	884	51
Vacant property	356	74	4
Residential and parking	12,648	773	45
Total	14,759	1,731	100

Rental contract terms

	Number of contracts	SEK million, full-year value	Total, %
2017	571	72	4
2018	446	193	11
2019	321	185	11
2020	298	212	12
2021–	119	222	13
Total commercial premises	1,755	884	51
Vacant property	356	74	4
Residential and parking	12,648	773	45
Total	14,759	1,731	100

NOTE 4. OPERATING, MANAGEMENT AND ADMINISTRATIVE EXPENSES

ACCOUNTING PRINCIPLE

Operating expenses

Wallenstam's operating expenses consist of expenses incurred in connection with property management such as property upkeep, electricity, water, cleaning, repairs, fuel expenses, maintenance, leaseholds/tenancies, property tax and other operating expenses. Operating expenses are recognized in the period they concern. Part of the operating expenses are passed on to tenants in the form of rent supplements.

Site leasehold agreements are considered operating leases from a reporting perspective. Site leasehold rents are recognized as an expense in the period they relate to.

Management costs and administrative expenses

Wallenstam's management costs and administrative expenses consist of the Group's administration expenses such as expenses for personnel, offices, premises, consultants, marketing, depreciation of fixtures and fittings and expenses for the employees' synthetic options scheme, where this is a realized cost. Expenses are recognized in the period they concern. There are also a small number of minor leases in which Wallenstam is the lessee. These leases are also operating leases and mainly relate to photocopiers and company cars. Payments made during the lease term are expensed in the income statement on a straight-line basis over the term of the lease. Management costs and administrative expenses are broken down and presented in the income statement on four lines: property management operations, property transactions. co-op apartment transactions and income from natural energy management operations.

Management costs and administrative expenses attributable to the Group's property management operations amounted to SEK 191 million (188). Management costs and administrative expenses attributable to natural energy operations amounted to SEK 27 million (32). Administration expenses attributable to property transactions are included in the item selling and administrative expenses, sales of investment properties and amounted to SEK 16 million (21) and in costs for sales of co-op apartments of SEK 2 million (4).

NOTE 4. OPERATING, MANAGEMENT AND ADMINISTRATIVE EXPENSES, CONT.

SEK million	2016	2015
Operating expenses		
Heating costs	**76**	73
Other operating expenses	**166**	156
Maintenance costs	**106**	114
Site leasehold/rent	**13**	13
Property tax	**73**	63
Total operating expenses	**434**	419
Operating expense SEK/sq m		
Heating costs	**72**	69
Other operating expenses	**156**	147
Maintenance costs	**100**	108
Site leasehold/rent	**12**	12
Property tax	**69**	60
Total	**409**	396
Management and administrative expenses		
Depreciation of non-current assets	**10**	8
Marketing expenses	**24**	28
Other external services and expenses	**27**	24
Personnel expenses	**127**	138
Cost of premises, rent for non-current assets, office supplies	**35**	36
Other expenses	**13**	11
Total management costs and administrative expenses	**236**	245

Due to the high occupancy rate, direct costs attributable to properties that did not generate income are only marginal. In two properties partly vacated in order to carry out conversion projects, operating expenses are unchanged, about SEK 9 million, while income fell by about SEK 18 million.

Audit expenses

SEK million	2016	2015
Audit assignment, Deloitte	**1,5**	1,4
Other auditing work, Deloitte	**0,1**	0,0
Audit assignment, BDO	**0,1**	0,1
Total	**1,7**	1,5

Wallenstam uses the services of Deloitte for audit in the Group's Swedish companies. BDO is used for the Group's Norwegian companies.

NOTE 5. SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES

ACCOUNTING PRINCIPLE

Employee benefits

Employee benefits are recognized in line with employees performing services in exchange for remuneration.

Provisions for pensions

Pensions are normally financed through payments to insurance companies where payments have been determined based on periodic actuarial calculations.

The Group has both defined benefit pension plans and defined contribution pension plans. A defined contribution pension plan is one where the company pays fixed premiums to an insurance company. A defined benefit pension plan is one that does not have defined contributions but which is instead based on the size of the pension benefits that an employee receives after retirement, usually based on one or more factors such as age, length of service and salary. Plans where the company's obligation is limited to the fees that company has undertaken to pay are classified as defined contribution plans. In such cases the size of an employee's pension depends on the premiums the company pays to an insurance company and the return on capital the premiums generate. Consequently, the employee bears the actuarial risk (that the payment will be lower than expected) and the investment risk (that the invested assets will be insufficient to provide the expected payments). The company's obligations in respect of premiums for defined contribution plans are recognized as a consolidated expense as they are earned by employees.

Wallenstam's pension commitments consist of defined contribution pension plans, where the company has no obligations other than to pay an annual premium during the period of employment. This means that after employment has been terminated, the employee is entitled to decide the period during which the earlier defined contribution payments and the return on these is taken out as pension. However, an exception exists in respect of the individuals covered by defined benefit ITP plans with ongoing payments to Alecta under ITP 2. According to UFR 10 of the Swedish Accounting Standards Council, the requirements to recognize an ITP 2 plan financed through insurance with Alecta as a defined benefit plan do not exist, and for this reason this plan is recognized as defined contribution according to IAS 19.

Employee synthetic options scheme

Share-based payment is recognized according to IFRS 2. In September 2013, all permanently employed staff were offered 20,000–100,000 synthetic options free of charge. The CEO and Vice CEOs received 100,000 synthetic options and other senior executives a total of 180,000. 194 employees accepted the offer. The option scheme runs until May 31, 2019 and means that employees are able to share in the created value growth.

In 2016, a further 113,000 synthetic options were issued to employees while 132,000 options were repurchased. The options are measured according to the Black & Scholes model. Important input data for the model includes the share price on closing day of SEK 70.90, an exercise price of SEK 52.50 with a ceiling of SEK 80, an anticipated share price volatility of 22 percent, the options' term up to and including May 31, 2019, expected dividend of SEK 1.50 and an annual risk-free interest rate of -0.56 percent. Volatility is calculated as the estimated future volatility during the remainder of the options' term.

In the event of a maximum outcome, which will occur if all the options are exercised and a price of SEK 80 per share is reached, the maximum cost arising to the company will be around SEK 250 million. The total number of synthetic options issued is 5,023,000 out of a maximum of 8,000,000. A maximum outcome based on the prevailing number of options issued, will generate an expense for the company of around SEK 138 million.

The option holder has the right to demand settlement of the synthetic options on the maturity date or if the closing price of the Wallenstam share exceeds SEK 80 for at least five days during a 30-day period. The sold purchase option value, with a ceiling of SEK 80, is considered to be SEK 0 million (0). Volatility is calculated as the estimated future volatility during the remaining term of the options. Changes in value are recognized under Unrealized changes in value, synthetic options. The company's expense for social security contributions on initially identified assessed benefit values is recognized when the option is subscribed for under Management costs and administrative expenses of SEK 6 million.

Termination benefits

A provision is recognized in connection with termination of employment only if the company has been obliged to terminate employment before the normal date or when compensation is offered as an incentive for voluntary redundancy. The provision and expense is recognized for the period during which the company does not receive any service in return.

Group salaries, other remuneration and social security expenses

	2016					2015				
SEK million	**Basic salary**	**Benefits**	**Variable remuneration**	**Social security expenses**	**Pension expenses**	Basic salary	Benefits	Variable remuneration	Social security expenses	Pension expenses
Chairman of the Board	**0.7**	**-**	**-**	**0.2**	**-**	0.7	-	-	0.2	-
Board members	**0.6**	**-**	**-**	**0.1**	**-**	0.6	-	-	0.2	-
Total directors' fees	**1.3**	**-**	**-**	**0.3**	**-**	1.3	-	-	0.4	-
CEO, parent company	**4.4**	**0.8**	**-**	**2.0**	**1.8**	4.3	0.6	-	2.2	1.7
Vice CEOs, 2 persons (3)	**6.2**	**0.3**	**-**	**2.7**	**2.1**	7.6	0.4	-	2.9	2.6
Former Vice CEO	**-**	**-**	**-**	**0,1**	**-**	-	-	-	0,1	-
Other senior executives 3 persons (3)	**3.8**	**0.1**	**-**	**1.4**	**1.1**	3.5	0.1	-	1.5	1.6
Other employees	**111.2**	**3.4**	**-**	**40.4**	**16.8**	104.0	3.2	-	36.3	14.7
Total	**125.6**	**4.6**	**-**	**46.6**	**21.8**	119.4	4.3	-	43.0	20.6

Remuneration

The CEO received a salary and housing benefit along with other housing-related benefits, totaling SEK 5.2 million (4.9). Senior executives are offered fixed salaries at market-related levels. In addition to fixed salary, variable remuneration may be offered. The principles for these are approved by the AGM. The salaries of the CEO and Vice CEOs are determined by a remuneration committee, which consists of the Board's presiding committee. Remuneration to other senior executives is determined according to the Board's guidelines.

In accordance with the resolution passed by the AGM, the Board of Directors will receive fees of SEK 1,330,000 (1,330,000) for the period from April 2016 until the 2017 AGM, of which SEK 670,000 (670,000) is paid to the Chairman of the Board Christer Villard, SEK 240,000 (240,000) to Vice Chairman Ulrica Jansson Messing and SEK 140,000 (140,000) to each of the other Board members (Anders Berntsson, Agneta Wallenstam and Karin Mattsson Weijber). No additional remuneration other than the fees approved by the AGM was paid to the Board.

NOTE 5. SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES, CONT.

Pensions and termination benefits

The company has taken out pension insurance for the CEO with an annual premium of 35 percent for the first half of 2016 and subsequently of 30 percent of gross salary including car and housing benefit in addition to survivors' pension insurance equivalent to a premium expense of SEK 107,000 for 2016. The company has also taken out a life insurance policy to provide a survivor's pension in the event of death while in service. This obligation is provided by payment into a defined premium insurance policy for which the costs in 2016 amounted to SEK 78,000 in total. If the CEO resigns his position, six months' notice must be given. Termination of the CEO's employment by the company is also subject to a period of notice of six months. On leaving the company the CEO, or his survivor in the event of his death, has the right to purchase his current company-owned accommodation for 1.33 times the taxable value at the time of sale.

At year-end 2016, the company had two Vice CEOs. Other senior executives consist of the CFO & Head of Investor Relations, the Communications Director and the Finance Director. Pensions for Vice CEOs and other senior executives are in accordance with the remuneration policy consist of defined contribution pensions. To fulfil pension benefits for other senior executives, the company has taken out pension insurance equivalent to 35 percent or 30 percent of gross salary. The period of notice is six months. With regard to the Vice CEOs and other senior executives, 18 months' termination benefits will apply in the case of termination of employment by the company. Vice CEOs with company-owned accommodation have the right to purchase said accommodation at the market value prevailing at the time of sale.

In the event of absence due to illness, senior executives – like other employees – are entitled to 90 percent of fixed monthly salary for days 2–90 and 75 percent of fixed salary for days 91–365, less what can be obtained from Försäkringskassan, the Swedish Social Insurance Agency.

The retirement age for the CEO is 67 and for the other senior executives it is 65–67 unless separate agreements are concluded on an extension, up to a maximum of 70.

Share-based payments to group management and other employees

Options scheme 2013–2019, Synthetic options scheme costs

SEK million	2016	2015
CEO	**0.1**	0.6
Vice CEOs, 2 persons (3)	**0.3**	1.8
Former Vice CEO	**0.1**	-
Other senior executives, 3 persons (3)	**0.3**	1.1
Other employees	**6.4**	27.8
Total unrealized changes in value, synthetic options	**7.2**	31.3

Closing liabilities at year-end totaled SEK 81 million (75). Expenses for the year totaled SEK 7 million (31).

Pension insurance with Alecta

Pension insurance contributions for the year in Alecta in respect of ITP 2 totaled SEK 7.5 million (6.6). Alecta's surplus can be distributed to the policyholders and/or the insured. At year-end 2016, Alecta's surplus in the form of the collective consolidation level was 149 percent (153).

The collective consolidation level is defined as the market value of Alecta's assets as a percentage of the insurance commitments calculated in accordance with Alecta's actuarial calculation assumptions. Wallenstam's share of the total number of savings premiums for ITP 2 with Alecta was 0.04474 percent (0.03207).

NOTE 6. AVERAGE NUMBER OF EMPLOYEES

2016		2015	
Average no. of employees	**of whom women**	Average no. of employees	of whom women
227	**130**	216	121

The Group's personnel are mainly employed by the parent company.

Board members and senior executives

	Dec 31, 2016		Dec 31, 2015	
	Number	**of whom women**	Number	of whom women
Board members	**5**	**3**	5	2
CEO, Vice CEOs and senior executives	**6**	**2**	6	2

NOTE 7. RELATED PARTY DISCLOSURES

ACCOUNTING PRINCIPLE

Related party refers to both legal entities and natural persons as defined by IAS 24.

Related parties are defined as:
- all companies within the Wallenstam Group
- Board members and company management
- close family of Board members and company management
- companies controlled by Board members or company management
- shareholders who control more than 10 percent of the shares or voting rights in the company

As with all transactions, those with related parties must be carried out on commercial terms. Special attention must be paid to the guidelines pertaining to conflicts of interest during such transactions.

In order to ensure that no extraneous factors are taken into consideration when entering into related-party agreements, two people must always approve the agreement on behalf of Wallenstam. Moreover, authorized individuals may not authorize expenditures for their own benefit. Wallenstam has adopted procedures for defining related parties, for managing transactions and monitoring related party agreements. Prior to the preparation of the annual accounts, individual members of Wallenstam's Board of Directors and company management provide an assurance as to whether they or their close family have entered into any transactions during the financial year that can be considered related-party transactions with Wallenstam Group companies.

Transactions with related parties

The parent company performed administrative services for other Group companies. Revenue from these services is recognized as management revenue; see parent company Note 2. The parent company has expenses from other Group companies in respect of electricity, rental of premises, purchasing of restaurant services/food and PR totaling around SEK 22 million (23). The parent company manages loan procurements and interest rate derivatives on behalf of the subsidiaries. Individuals and companies related to Board members rent apartments and are also electricity customers. In 2016, insurance services with annual fees of SEK 4.8 million were purchased from companies with board members who are also members of Wallenstam's Board of Directors or Group management. In addition, a company to which one of Wallenstam's Board members is related, performed building contract services with a total contract value of SEK 189 million. This company is an electricity customer of Svensk NaturEnergi.

The CEO is a joint owner (50 percent) of Aranea Holding AB. Aranea Holding AB through subsidiaries, owns two wind turbines and 48 percent of the floorball equipment manufacturer, Renew Group Sweden AB. Electricity trading for wind turbines is handled by Svensk NaturEnergi AB. Aranea and Renew are tenants of Wallenstam with an annual rental value equivalent to SEK 0.6 million and SEK 4.0 million, respectively. Both are also electricity customers. During the second quarter 2016, Renew Group received non-recurring compensation and a rent rebate of SEK 1.7 million in total as a result of Wallenstam's premature termination of an earlier lease and relocation to alternative premises. In addition to this, Aranea has acquired a small area of land in Mölnlycke for a price of SEK 8 million for production of business premises for Renew Group.

A member of Group Management holds the Chairmanship of a sports association, which Wallenstam sponsors with a contribution of SEK 0.1 million per year. The sports association is a customer of Svensk NaturEnergi.

Wallenstam's involvement in environmental and social responsibility issues is described in more detail on pages 24–29 of the annual report. As part of its social responsibility work, the Wallenstam Group not only contributes financially but also gives its time in the form of e.g. board work. As a result of such board positions, related party status arises in the case of the Rescue Mission in Gothenburg and Barn i Nöd (Swedish International Help for Children). During the year, Barn i Nöd received SEK 1.7 million in contributions and the Rescue Mission in Gothenburg received SEK 2.5 million. Wallenstam also issued a general guarantee commitment for the Rescue Mission in Gothenburg of SEK 12.5 million. The Rescue Mission in Gothenburg rents premises from Wallenstam equivalent to rental income of about SEK 3.7 million annually. Both are also Svensk NaturEnergi electricity customers.

All transactions take place on market-related terms.

NOTE 8. FINANCIAL INCOME AND EXPENSES

ACCOUNTING PRINCIPLE

Financial income refers to interest income from bank deposits, receivables, financial investments and dividend income and positive exchange differences on financial items. Financial income is recognized in the income statement in the period it concerns. Dividends are recognized when the right to receive payment has been established.

Financial expenses refer to interest expenses, exchange differences on financial items, and other expenses arising in connection with borrowing and are recognized in the income statement in the period they relate to. The cost of taking out mortgages is not considered a financial expense but is capitalized as a property investment. Financial expenses for a reporting period consist of the actual interest to pay both as a result of agreed interest rates and as an effect of derivative contracts entered into. Average interest rate corresponds to the interest paid in relation to the period's average interest-bearing debt. Net financial items are not affected by market valuations of concluded interest rate derivative contracts, which are instead recognized as changes in value under their own heading. The financial expenses component relating to major new construction, extensions or conversions is capitalized. The capitalized interest is calculated on the basis of the average weighted borrowing cost for the Group.

Financial income and expenses

SEK million	2016	2015
FINANCIAL INCOME		
Interest income, current assets	**1**	19
Dividend	**0**	1
Foreign exchange gain	**6**	0
Other financial income	**1**	0
Total financial income	**8**	20
FINANCIAL EXPENSES		
Interest expenses properties	**-250**	-286
Interest expenses energy	**-30**	-33
Foreign exchange loss	**-5**	-2
Other financial expenses	**-2**	-2
Total financial expenses	**-287**	-323

During the year SEK 56 million (40) in interest relating to investments in projects was capitalized. The average interest rate was used for capitalization, which amounted to 2.0 percent (2.3). Net financial items including changes in value of financial derivatives totaled SEK -409 million (-138), see Note 18.

NOTE 9. MANAGEMENT COSTS AND CAPITAL GAINS, NATURAL ENERGY

ACCOUNTING PRINCIPLE

Income from natural energy management operations consists of electricity revenue and electricity expenses, depreciation, administrative expenses and interest expenses attributable to electricity trading and electricity generation and profit from renewable energy certificates. Sales revenue and expenses for electricity are recognized excluding value added tax and excise duties in the period delivery takes place to customers.

Renewable energy certificates are initially recognized at cost, which is remeasured to fair value on the vesting date. Renewable energy certificates are initially measured at cost and are subsequently recognized on an ongoing basis at a remeasured amount consisting of the fair value at the time of remeasurement, identified as the closing day spot price. All changes in value resulting from these remeasurements of renewable energy certificates are recognized in the income statement as electricity revenue, natural energy. Income from natural energy management operations also includes revenue from realized sales of surplus renewable energy certificates generated by Wallenstam's energy production. For further information and conditions regarding renewable energy certificates, see Note 19 Intangible current assets.

ELECTRICITY PRICE RISK

Electricity prices have an impact on the company's results. Since Wallenstam is a net electricity producer on an annual basis, a drop in electricity prices has a negative impact on earnings. Electricity prices are influenced by a number of different factors such as the economic cycle and the weather. Changes in electricity prices influence the value of both current and new agreements. To protect the business and reduce the impact of market fluctuations, the Group uses futures contracts to hedge revenue from future electricity sales and electricity production in accordance with the energy policy adopted by the Board of Directors. This policy means that purchasing may be carried out for a maximum period of five years ahead. Renewable energy certificate sales are also hedged by means of futures contracts in accordance with this policy.

NOTE 9. MANAGEMENT COSTS AND CAPITAL GAINS, NATURAL ENERGY, CONT.

SEK million	2016	2015
INCOME FROM NATURAL ENERGY MANAGEMENT OPERATIONS		
Electricity revenue	**278**	304
Electricity expenses	**-186**	-150
Depreciation and amortization	**-96**	-94
Management costs and administrative expenses, natural energy	**-27**	-32
Financial expenses, natural energy	**-30**	-33
Total income from natural energy management operations	**-61**	-5
Profit/loss from sales of hydroelectric power	**-**	-29
Total capital gain/loss hydroelectric power	**-**	-29

Electricity revenue includes revenue from production and sales of electricity, which also includes remeasurement of renewable energy certificates, see Note 19. During the year, the price of a renewable energy certificate fell from SEK 165 per certificate to SEK 116, which generated a negative remeasurement effect in income of SEK 28 million. In relation to the closing day rate for 2016, contracted sales of renewable energy certificates in inventory correspond to a latent surplus value of SEK 34 million, of which SEK 22 million are contracted for delivery in March 2017.

NOTE 10. REVENUE AND EXPENSES, CO-OP APARTMENT SALES

ACCOUNTING PRINCIPLE

Revenue from sales of co-op apartments refers to compensation from sales of co-op apartment projects and co-op apartment units. New construction of cooperative apartments are recognized according to IFRIC 15, Agreements for the Construction of Real Estate. For Wallenstam, this means that IAS 18, Revenue, is applied. In the balance sheet, investments are recognized at cost on an ongoing basis in the line Work in progress, co-op apartments and development properties for sale. In conjunction with sale, the compensation received is recognized as revenue and the apartment's estimated share of production costs is recognized as an expense, or in the case of co-op apartment units acquired from an external party, the book value of the apartment. Revenue and expenses are recognized in the income statement when the purchaser takes possession of the property, while marketing and selling expenses are recognized on an ongoing basis.

Revenue and expenses, co-op apartment sales

SEK million	2016	2015
REVENUE, SALES OF CO-OP APARTMENTS		
Revenue from sales of newly constructed co-op apartment units	**3**	1,096
Revenue from sales of acquired co-op apartments units	**124**	107
Total revenue, sales of co-op apartments	**127**	1,203
EXPENSES, SALES OF CO-OP APARTMENTS		
Cost of newly constructed co-op apartment units including selling expenses and provisions	**-14**	-913
The book value of acquired co-op apartment units including selling expenses	**-90**	-79
Total expenses, sales of co-op apartments	**-104**	-992
Profit from sales of co-op apartments	**23**	211

NOTE 11. CHANGES IN VALUE OF INVESTMENT PROPERTIES

ACCOUNTING PRINCIPLE

Changes in value of investment properties are recognized in the income statement broken down into Realized change in value, investment properties and Unrealized change in value, investment properties. Realized changes in value of investment properties refer to profits or losses from sales of investment properties.

A sale is recognized as realized on the date of taking possession unless this contravenes particular terms in the purchase agreement. This also applies in the case of sales of property via companies. In connection with the sale of properties via companies, the transaction is recognized gross as regards property price and deferred tax.

NOTE 11. CHANGES IN VALUE OF INVESTMENT PROPERTIES, CONT.

Profits or losses on the sale of property comprise the difference between the agreed purchase price and estimated market value on the immediately preceding reporting date, in other words, September 30, 2016, taking account of investments made. Direct selling expenses and a share of internally distributed administration expenses are deducted.

Unrealized changes in value, investment properties refer to the difference between valuation on closing day and valuation on the immediately preceding reporting date.

Investment properties are measured on an ongoing basis in accordance with IAS 40 at estimated fair value according to the principles described in Note 14. The valuation is internal and is made in conjunction with each quarterly financial statements. Properties that are contracted for sale with taking of possession after closing day are valued at the selling price on the reporting date with consideration of any remaining uncertainty according to the principles described in Note 14.

Distribution of change in value, investment properties

SEK million	2016	2015
CHANGE IN VALUE, INVESTMENT PROPERTIES		
Sales revenue, sold properties	**1,179**	2,129
Value of sold properties	**-992**	-1,925
Unrealized change in value, investment properties	**3,470**	2,507
Total change in value, investment properties	**3,657**	2,711
UNREALIZED CHANGE IN VALUE, INVESTMENT PROPERTIES		
Change in value, yield requirement	**2,127**	1,616
Capitalization of change in net operating income	**498**	278
Change in value due to contracted sales	**4**	157
Future investment requirements	**-354**	-267
New construction	**1,195**	639
Change in value, major completed conversions	**0**	84
Unrealized change in value, investment properties	**3,470**	2,507
Realized change in value, investment properties	**187**	204
Change in value, investment properties	**3,657**	2,711

During 2016, Wallenstam sold properties at a value that on average exceeded the valuation by 19 percent (11) after taking account of investments made during the year. For more information about net operating income and yield requirements, see Note 14.

NOTE 12. TAXES

ACCOUNTING PRINCIPLE

Income taxes in the income statement consist of current tax and deferred tax and are recognized in accordance with IAS 12.

Current tax

Current tax refers to tax that must be paid in respect of the current year and is calculated according to the prevailing tax rate. This also includes any adjustments to current tax from previous periods. Deferred tax is calculated in accordance with the liability method based on the nominal amount of temporary differences between the carrying amounts and fiscal values of assets and liabilities, see also Note 27.

Tax is recognized in the income statement except where it refers to items that are recognized in other comprehensive income or directly in equity. In such cases the tax is also recognized in other comprehensive income or equity.

The current tax rate for limited liability companies in Sweden is 22 percent (22). The tax in the income statement is split between two items, income tax and deferred tax. Current tax is calculated based on the company's taxable earnings, which differs from the recognized profit/loss. This is mainly due to the possibility to:

- utilize tax depreciation
- utilize tax deductions for certain conversions of properties, which is capitalized in the accounts
- utilize the Group's existing tax loss carryforwards
- sell properties through so-called corporate packaging.

Current tax – in other words taxes paid – that arises despite the Group's tax losses is due to the lack of tax-deductible Group contribution opportunities for certain subsidiaries.

Deferred tax

Deferred tax is recognized, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities according to the principles described in more detail in Note 27.

The total tax recognized in the income statement deviates from nominal tax in cases where there are recognized income and expenses that are not taxable or deductible, or due to other tax-related adjustments, which are mainly related to the fact that disposal of subsidiaries is not taxable.

NOTE 12. TAXES, CONT.

Tax recognized in the income statement

SEK million	**2016**	2015
Current tax	**0**	-1
Deferred tax	**-850**	-663
Total tax	**-850**	-664

Difference between the Group's recognized tax and tax based on the applicable tax rate of 22 percent (22)

SEK million	**2016**	2015
Recognized profit before tax	**4,198**	3,418
Tax according to current tax rate	**-924**	-752
Tax effect of:		
Non-deductible expenses	**-3**	-9
Adjustment of tax, previous year	**-5**	-7
Reversed impairment losses	**1**	3
Non-taxable profit on sold properties	**99**	116
Acquisition of companies	**-16**	-12
Non-assessed deficit	**-2**	-3
Tax on profit for the year in the income statement	**-850**	-664

Tax items recognized in other comprehensive income

SEK million	**2016**	2015
Deferred tax attributable to:		
Changes in value, translation differences	**-4**	3
Total tax items recognized in other comprehensive income	**-4**	3

NOTE 12. TAXES, CONT.

Distribution of deferred and current tax

	2016		2015	
SEK million	**Basis current tax**	**Basis deferred tax**	Basis current tax	Basis deferred tax
Profit before tax	**4,198**		3,418	
Tax deductible:				
Conversions	**-301**	**301**	-301	301
Depreciation	**-253**	**253**	-229	229
Additional depreciation	**-230**	**230**	-172	172
Retirements, impairment losses and reversals	**-**	**-**	99	-111
Sales of properties	**67**	**-520**	535	-1,063
Unrealized change in value, properties	**-3,470**	**3,470**	-2,507	2,507
Unrealized change in value, financial derivative instruments	**130**	**-130**	-165	165
Realized change in value, financial derivative instruments	**-18**	**18**	-8	8
Realized change in value, renewable energy certificates	**23**	**-23**	-7	7
Other non-deductible expenses	**19**	**-4**	45	-5
Other consolidation adjustments	**16**	**-16**	-16	16
Acquisition of companies	**-1**	**74**	-1	56
Adjustment of tax, previous years	**-21**	**43**	-	30
Current profit for tax purposes	**159**	**3,696**	691	2,312
Change in tax loss carryforwards during the year	**-159**	**159**	-686	686
Taxable profit	**0**	**3,855**	5	2,998
Tax for the year	**0**	**-848**	-1	-660
Non-assessed deficit	**-**	**-2**	-	-3
Tax for the year in the income statement	**0**	**-850**	-1	-663

NOTE 13. INTANGIBLE ASSETS

ACCOUNTING PRINCIPLE

Expenditure for software developed and adapted for the Group is recognized under intangible assets if it will provide probable economic benefits in future years. Capitalized expenditures for acquired software are amortized according to plan over the useful life in 5 years, equivalent to 20 percent of cost. The useful life of the assets, the depreciation method and residual value are assessed on a continuous basis. Amortization is included in the income statement item Management costs and administrative expenses. Minor standard software and annual licences are carried as expenses. Intangible assets are subject to testing for impairment according to IAS 36, see Note 1.

NOTE 13. INTANGIBLE ASSETS, CONT.

SEK million	Dec 31, 2016	Dec 31, 2015
Opening acquisition cost	**45**	36
Investments during the year	**5**	10
Sales/retirements during the year	**-**	-1
Closing accumulated acquisition cost	**50**	45
Opening amortization	**-31**	-29
Amortization for the year	**-4**	-2
Sales/retirements during the year	**-**	0
Closing accumulated amortization	**-35**	-31
Book value, capitalized expenses, computer software	**15**	14

NOTE 14. INVESTMENT PROPERTIES

ACCOUNTING PRINCIPLE

Investment properties are our rental properties for our own management operations

Investment properties, which are initially measured at cost including expenditures directly attributable to the acquisition, are recognized at fair value according to IAS 40. Fair value corresponds to the estimated market value and is determined by an internal valuation model. A complete valuation of each individual building is made by an internal valuation team in connection with interim and annual accounts. The model is based on an evaluation of future payment streams with differentiated market-related yield requirements per property. This means that the market's yield requirement is compared to the net operating income of each property. The estimated market value of undeveloped land and building rights is added to this. Deductions are made from the estimated yield value for estimated future investment requirements. Changes in value are recognized in the income statement.

Property valuations are based on the following, among other things:
• Evaluation of the yield requirements in each market.
• Evaluation of each property's specific circumstances e.g. in terms of condition and location.
• Analysis of rental rates, contract lengths, vacancy and rental trends.
• Analysis of existing tenants.
• Credit market conditions.
• Analysis of concluded and non-concluded property transactions.

At each valuation, the calculation is adjusted in cases where significant changes in the underlying factors have taken place, such as the yield requirement, rental rate, occupancy rate and effects of contracted sales. The fair value of new construction of rental apartments is determined as cost plus a share of the calculated surplus value on completion date in relation to the building's degree of completion, which is in turn based on incurred expenses. In the case of conversions of investment properties that undergo a more large-scale conversion, the fair value during the conversion period is generally considered to equal the market value that the investment property had at the start of the project with the addition of subsequently made investments.

According to IFRS 13, the fair value of investment properties is attributable to one of levels 1, 2 or 3 of a fair value hierarchy. Wallenstam's view is that property valuations are at level 3 of the of the fair value hierarchy.

Land rights and building rights for zoned land are measured at market value. Fair values attributable to level 3 for land rights and building rights have been calculated using comparisons of selling prices. Selling prices for comparable buildings in the immediate vicinity have been adjusted for differences in essential characteristics, such as the size of the property. The most significant input data for this valuation is the price per square meter.

The valuation principle has remained unchanged since implementation of IAS/IFRS.

WALLENSTAM'S VALUATION MODEL

+ Rental value*
- General vacancies of three percent in the commercial holdings
- Operating expenses including property tax, excluding administration
= Net operating income
÷ Yield requirement for the property
= The property's gross yield value
- Two years' rent for vacant floor space
- Planned investments and significant repairs
+/- Present value of temporary additions/deductions
+ Location premium
= Estimated market value of property

* The rental value is calculated on the basis of expected rent levels in 2017.

Property acquisitions and property sales are recognized on the day of taking possession, when risks and benefits are transferred to the purchaser. Properties that are contracted for sale with taking of possession after closing day are valued at the selling price on the reporting date with consideration for any uncertainty.

All of Wallenstam's properties are classified as investment properties apart from properties that are part of a co-op apartment project or as a development property constructed for sale. These are instead recognized in the balance sheet as Work in progress co-op apartments and development properties constructed for sale, see also Note 20.

If an investment begins in a new or existing investment property that is intended for continued use as an investment property within the Group, the property is also recognized as an investment property during its construction or conversion phase.

Additional expenditures are capitalized if it is probable that the future economic benefits associated with the asset will accrue to the Group.

In the case of large new constructions and conversions, interest expenses are capitalized during the project period until the property is taken into use. Expenditures in respect of day-to-day maintenance and repairs are expensed in the period in which they arise.

Asset acquisition versus business combination
Acquisitions may be classified as either business combinations or asset acquisitions. This is an assessment that must be made in each individual case. All transactions carried out during the year are considered asset acquisitions.

In the case of asset acquisitions, no deferred tax is recognized in relation to the property acquisition. Any tax discount negotiated reduces the property's acquisition cost. This means that changes in value in subsequent valuations are affected by the tax discount.

ASSESSMENTS AND ESTIMATES
Assessments and estimates made in connection with investment property valuation may have a significant impact on the Group's recognized earnings and position. Valuations of investment properties, which are internal, require assessments of and assumptions about, for example future cash flows and the determination of yield requirements for each individual property. Assessments made affect the carrying amount of the item Investment properties in the balance sheet, and the item Unrealized changes in value, investment properties in the income statement. When a transaction is completed a cross-check is made of the valuations made. Wallenstam also monitors relevant completed property transactions and carries out quarterly internal valuations of its entire property holdings. To reflect the uncertainty of assumptions, assessments and estimates made, a so-called valuation range of +/– 5 to 10 percent is specified.

Change during the year, investment properties

SEK million	Dec 31, 2016	Dec 31, 2015
Carrying amount, 1 Jan	**32,090**	28,481
Acquisitions during the year	**223**	1,270
Construction during the year	**2,022**	1,757
Sales during the year	**-992**	-1,925
Reclassification to co-op apartments and development properties for sale	**-258**	-
Unrealized changes in value	**3,470**	2,507
Book value, investment properties	**36,555**	32,090

Capitalized interest during the year amounted to SEK 56 million (40). The average interest rate was about 2.0 percent (2.3). For distribution of unrealized change in value, investment properties, see Note 11.

Net operating income
The improvement in net operating income was partly attributable to higher rents in comparable holdings and partly to lower operating expenses. Wallenstam's residential property holdings are fully let and the year's rent negotiations resulted in an average rise for 2016 of 0.9 percent in Stockholm. No rent control occurred for apartments in Gothenburg due to a breakdown in rent negotiations between the Swedish Union of Tenants, Western Sweden Region and the Swedish Property Federation. Rental rates for Wallenstam's commercial premises in comparable holdings increased by around 3.8 percent compared to the previous year, mainly due to completed new lets, renegotiations and cost index escalations.

Basis for determining anticipated yield requirements
Yield requirements differ between properties depending on the market and the type of property. Yield valuations are based on residential and commercial floor space, with different yield requirements for the respective lettable space. Analyses and comparisons are made with current price statistics for similar items of property. Wallenstam completes a significant number of property transactions every year which generates a good feel for the market. Wallenstam also monitors property transactions completed in relevant areas.

Yield requirement, investment properties

Property type	Location	Dec 31, 2016, %	Dec 31, 2015, %
Residential	Stockholm	**2.50–4.00**	3.00–4.00
Residential	Gothenburg	**2.75–4.25**	3.00–4.75
Commercial premises	Gothenburg	**4.25–7.00**	4.50–8.50

NOTE 14. INVESTMENT PROPERTIES, CONT.

The following yield requirements have been used in valuations for different markets and types of property:

Property type	Location	**Average yield requirement Dec 31, 2016, %**	Average yield requirement Dec 31, 2015, %
Residential	Stockholm	**3.3**	3.6
Residential	Gothenburg	**3.3**	3.4
Commercial premises	Gothenburg	**5.0**	5.3
Average yield requirement residential		**3.3**	3.5
Average yield requirement commercial holdings		**4.9**	5.3

Investment commitments

Future expenditure for contracted investments as of closing day, which has not been recognized in the financial statements in respect of properties:

SEK million	**Dec 31, 2016**	Dec 31, 2015
Investments	**1,199**	1,407

Sensitivity analysis

Fair value is an estimation of a probable selling price on the market at a given valuation date. However, the actual price can only be determined when a transaction is completed and paid for. To illustrate the uncertainty surrounding estimates of market value, a value range is often specified, usually +/– 5 to 10 percent. However, this may vary depending on such things as the market situation, the standard of the property and investment requirements. As of December 31, 2016, Wallenstam had investment properties valued at SEK 36,555 million (32,090) and with an uncertainty range of +/– 5–10 percent, this means that the estimated fair value varies by +/– SEK 1.8 billion at +/- 5 percent and by +/- SEK 3.7 billion at +/- 10 percent. Furthermore, changes to yield requirements have a substantial effect on valuation. In the event of a 0.25 percentage point adjustment in the yield requirement, property values will change by around + SEK 2.3 billion and - SEK 2.0 billion respectively, which is equivalent to a change in net asset value of around +/- SEK 6 per share (5).

Property values with other yield requirements

SEK million	**Dec 31, 2016**	Dec 31, 2015
0.5 percentage points lower	**41,463**	36,040
0.25 percentage points lower	**38,822**	33,926
OUR ESTIMATE	**36,555**	32,090
0.25 percentage points higher	**34,586**	30,478
0.5 percentage points higher	**32,857**	29,049

Property values with changed rental income

SEK million	**Dec 31, 2016**	Dec 31, 2015
5 percentage points higher	**38,565**	33,970
OUR ESTIMATE	**36,555**	32,090
5 percentage points lower	**34,545**	30,210

A change in rental income of +/– 5 percent changes the value of the properties by about +/– SEK 2.0 billion (1.9).

Tax assessment value

SEK million	**Dec 31, 2016**	Dec 31, 2015
Buildings	**8,796**	7,580
Land	**4,485**	3,430
Leasehold rights	**2,582**	1,955
Total tax assessment value	**15,863**	12,965

NOTE 15. WIND POWER

ACCOUNTING PRINCIPLE

Wind turbines are recognized at cost less accumulated depreciation and any impairment losses. Depreciation is carried out according to plan over the useful life of 25 years in relation to cost. The useful life for wind turbines corresponds to the lease period. Depreciation according to plan is not impacted by any impairments losses or reversals of previously made impairments.

Wind turbines are subject to testing for impairment under IAS 36, according to the principles described in Note 1.

ASSESSMENTS AND ESTIMATES

Items of property, plant and equipment are depreciated over the period during which in the assessment of the company management they are expected to generate revenue, i.e. their useful life. The useful life of a wind turbine is estimated to be 25 years, which is equivalent to the lease term and forms the basis of the investment calculation. When there are indications that an asset has fallen in value, the asset's recoverable amount is calculated, which is the higher of an asset's fair value less selling expenses and its value in use. To calculate an asset's useful life, the company management must make a number of assessments and estimates and estimates.

This value in use is based on cash flow forecasts for the useful life. Cash flows are affected by commercial factors such as market growth, competitiveness, prices, margins, cost trends, investment levels, tied up working capital, expected price and demand levels relating to electricity and renewable energy certificates as well as weather and wind conditions. Additional assessment of such factors as interest rate situation, borrowing costs, market risk, beta values and tax rates is performed in connection with discounting.

The production volume is based on the budget and was assessed in the impairment test as a normal year in accordance with the latest available statistics. As an input electricity price in the valuation model, an average price from five years of prices is calculated based on the outcome from four historic years and a future year with a forecast based on the Board's best estimate using current market data. On the measurement date, the relevant five-year period runs between January 1, 2013 until December 31, 2017. This price forms the basis for estimating cash flows for the period 2017-2021. In addition, an average annual growth rate of 2 percent was assumed for the period, which is also the assumption made for the period after 2021 until the expiry of the useful life.

Wind turbines

SEK million	Dec 31, 2016	Dec 31, 2015
Opening acquisition cost	**2,567**	2,632
Investments during the year	**-**	0
Sales during the year	**0**	-51
Translation differences	**19**	-14
Closing accumulated acquisition cost	**2,586**	2,567
Opening depreciation	**-351**	-262
Depreciation for the year	**-96**	-94
Sales during the year	**-**	6
Closing accumulated depreciation	**-447**	-351
Opening impairment losses	**-850**	-600
Translation differences	**-12**	-
Impairment losses for the year	**-**	-250
Closing accumulated impairment losses	**-862**	-850
Book value wind turbines	**1,277**	1,366
Future investment commitments	**29**	27

The recoverable amount is equal to the value in use and amounted to SEK 1,277 million (1,366), compared to the book value corresponding to assets of SEK 1,207 million (1,309) for wind turbines in operation. The valuation was made by identifying the recoverable amount of wind turbines as corresponding to value in use with yield requirements before tax equivalent to 6 percent (7). Valuation took place per wind farm, which corresponds to the lowest cash-generating unit. Sensitivity analyses have been carried out. In all, 16 wind farms and three projects were affected by impairment losses.

Capitalized interest amounted to SEK 0 million (0).

NOTE 16. EQUIPMENT

ACCOUNTING PRINCIPLE

Equipment is recognized at cost less accumulated depreciation and any impairment losses. The useful life of equipment, the depreciation method and residual value are assessed on a continuous basis. Depreciation occurs according to plan over the useful life: 3 years equivalent to 33 percent for computers, 10 years equivalent to 10 percent for furniture and 5 years equivalent to 20 percent for other equipment. Works of art are not depreciated. Depreciation of equipment is included in the income statement item Management costs and administrative expenses.

Equipment is subject to testing for impairment under IAS 36, according to the principles described in Note 1.

Changes during the year, equipment

SEK million	Dec 31, 2016	Dec 31, 2015
Opening acquisition cost	**82**	82
Investments during the year	**3**	5
Sales/retirements during the year	**0**	-3
Reclassification inventories	**1**	-2
Closing accumulated acquisition cost	**86**	82
Opening depreciation	**-33**	-32
Depreciation for the year	**-5**	-5
Sales/retirements during the year	**0**	3
Reclassification inventories	**-**	1
Closing accumulated depreciation	**-38**	-33
Book value equipment	**48**	49

NOTE 17. FINANCIAL ASSETS

ACCOUNTING PRINCIPLE

All shares and participations are measured at fair value in accordance with the principles for financial instruments which are described in Note 29 Available-for-sale financial assets. For holdings listed on the stock market, this corresponds to the market price on closing day. For other shareholdings and shared property interests, the fair value assessment is based on currently available information such as price of the recently carried out issues, profit from sales of similar interests or the like.

CREDIT RISK

Losses on other securities held as non-current assets arise if the value of the shares falls.

Other securities held as non-current assets and other shares of property interests

SEK million	Dec 31, 2016	Dec 31, 2015
Opening acquisition cost	**50**	68
Sales during the year	**-8**	-14
Investments during the year	**24**	-
Change in value for the year	**23**	-4
Reclassification from other non-current receivables	**21**	-
Book value other securities held as non-current assets and other shares of property interests	**110**	50

Other securities held as non-current assets consist of Exeger Sweden AB (publ) SEK 48 million (22), Eolus Vind AB (publ) SEK 7 million (7), Tobin Properties AB (publ) SEK 25 million (-), Taggen Vindkraft AB SEK 21 million and other shares of property interests of SEK 9 million (21). Claims on Taggen Vindkraft AB, were converted during the year to a shareholders contribution in an associated company and were thus reclassified from other non-current receivables to other securities held as non-current assets.

NOTE 17. FINANCIAL ASSETS, CONT.

Other non-current receivables

SEK million	Dec 31, 2016	Dec 31, 2015
Opening acquisition cost	**288**	440
New receivables	**131**	92
Reclassification to current receivables	**-80**	-96
Reclassification other securities held as non-current assets	**-21**	-
Change in value for the year	**-4**	-
Amortizations	**-48**	-148
Book value other non-current receivables	**266**	288

Non-current receivables consist mainly of promissory notes. The weighted average effective interest rate for interest-bearing non-current receivables was 2.74 percent (2.79). All non-current receivables follow payment plans. No write-down requirement is considered to exist for non-current receivables. There are no overdue non-current receivables.

NOTE 18. FINANCIAL DERIVATIVE INSTRUMENTS

ACCOUNTING PRINCIPLE

Wallenstam's financial derivative instruments consist mainly of interest rate derivatives and electricity derivatives but also of currency futures contracts. Financial derivative instruments are recognized at fair value in accordance with IAS 39. In order to determine fair value, market interest rates are used for each maturity, exchange rates and electricity prices, as if they were quoted on the market on closing day.

Interest rate swaps are measured by discounting future cash flows to present value while instruments with an option feature are measured at the current repurchase price. When derivatives are realized, the arising effect is recognized as part of interest expenses whereupon the equivalent reversed effect arises as an unrealized change in value of interest rate derivatives. Fair value is determined according to IFRS 13 level 2.

Wallenstam uses interest rate derivatives to achieve a desired interest maturity profile. If the agreed interest rate deviates from the market interest rate, a surplus or deficit will arise for the interest derivatives. The difference in value that arises, which does not affect cash flow, is recognized through profit or loss.

The changes in value may be realized or unrealized. Realized changes in value refer to settled interest rate and electricity derivative contracts and constitute the difference between the latest carrying amount and the determined price at redemption. Unrealized changes in value refer to the change in value that has arisen for Wallenstam's derivative contracts since the previous year, or compared to cost if the contracts were concluded during the year.

In order to secure electricity generation expenses and revenue from electricity sales and reduce the impact of market fluctuations, Wallenstam hedges parts of the electricity price in the financial market. Electricity derivatives are measured at market value based on market data on closing day and are classified at level 2. As we do not apply hedge accounting for electricity derivatives, no reversal effect arises in unrealized changes in value in connection with realization. Currency derivatives, which are used to hedge cash flows in foreign currency, are also classified at level 2.

Financial derivative instruments

	Dec 31, 2016		Dec 31, 2015	
SEK million	Assets	Liabilities	Assets	Liabilities
NON-CURRENT DERIVATIVE INSTRUMENTS				
Interest rate swap contracts	**-**	**-966**	-	-809
Electricity derivatives and futures contracts	**9**	**-**	-	-13
Book value non-current derivative instruments	**9**	**-966**	-	-822
CURRENT DERIVATIVE INSTRUMENTS				
Interest rate swap contracts	**-**	**-4**	15	-20
Electricity derivatives and futures contracts	**3**	**-**	-	-19
Book value current derivative instruments	**3**	**-4**	15	-39
Total derivative instruments	**12**	**-970**	15	-861

The total change in value of derivatives during the year amounted to SEK -130 million (165). All interest, currency and electricity derivatives are measured at fair value and recognized in the income statement.

NOTE 18. FINANCIAL DERIVATIVE INSTRUMENTS, CONT.

Maturity structure, financial derivative instruments

SEK million	Dec 31, 2016	Dec 31, 2015
0–3 months	**3**	-6
3 months–1 year	**-3**	-18
1–5 years	**-260**	-232
>5 years	**-698**	-590
Total	**-958**	-846

Under the Group's financial policy, the Group's average fixed interest term should be within the 24-60 month range and is to be largely managed by using interest rate derivatives. Permitted instruments for managing interest rate risk include interest rate swaps, extendable interest rate swaps (interest rate swap + swaption), FRA, caps and floors combined with collars and performance swaps. Permitted counterparties are Swedish banks and foreign banks with established operations in Sweden.

Under the Group's energy policy, the hedged volume for electricity production should not exceed 70 percent of the Group's average electricity production for each month and the maturity of hedges may cover a period of up to five years. However, after approval by the CEO of Wallenstam AB, the hedged volume may amount to 100 percent. In addition, the hedged volume for Svensk NaturEnergi AB's electricity consumers should not exceed the maturity or volume of the underlying contracts that Svensk NaturEnergi AB has agreed with the Group's customers. The volume may not for any length of contract exceed the highest expected hourly consumption during each period.

A financial asset and financial liability are offset and recognized as a net amount in the balance sheet only where there is a legal right to offset the amounts and it is intended that the items will be settled by a net amount or that the asset will be realized and the liability settled simultaneously. All of Wallenstam's contracts for financial instruments such as interest rate swaps and futures contracts are recognized at gross value, as no legally binding netting agreements exist. Wallenstam has not identified any embedded derivatives that are to be separated from their host contracts and recognized individually.

In connection with measurement of derivatives at fair value, no adjustment is made for counterparty risk in the form of Credit Value Adjustment (CVA) and Debt Value Adjustment (DVA), as the differential is not significant.

INTEREST RATE SWAPS

The nominal amount of the Group's outstanding interest rate swaps as of December 31, 2016 amounted to SEK 8,055 million (8,255). On December 31, 2016 the fixed swap interest rates payable to banks varied from 1.39–3.69 percent (1.39–4.69). The variable swap interest rates obtained from the banks correspond to STIBOR 3 M. The interest derivatives portfolio includes interest rate derivatives with option features amounting to a nominal value of SEK 400 million (500). Upon maturity, these may, on the initiative of the lender, be converted to interest rate swaps in the interest rate range 1.49–2.25 percent (1.49–2.50).

NOTE 19. INTANGIBLE CURRENT ASSETS

ACCOUNTING PRINCIPLE

Intangible assets consist of renewable energy certificates, which Wallenstam receives from the Swedish Energy Agency in its capacity as a generator of electricity from renewable energy sources. Renewable energy certificates are obtained free of charge as eligible electricity is generated and are initially recognized according to IAS 38 at cost remeasured to the market value on the vesting date as inventory intangible assets and revenue under Income from natural energy management operations. After initial recognition, the created certificates are recognized at fair value through remeasurement to market value based on the closing day spot price. The spot price is set through bids from market players via Svensk Kraftmäkling (SKM) and corresponds to IFRS 13 level 2.

Wallenstam's energy production generates a surplus of renewable energy certificates. In connection with remeasurement of the renewable electricity certificate inventory to the closing day spot price, changes in value arise, which are recognized against electricity sales revenue.

To protect our operations and reduce the impact of market fluctuations, the Group hedges sales of renewable energy certificates using futures contracts. Thus, most of the closing inventory of renewable energy certificates on December 31, 2016 is contracted for sale. In relation to the closing day rate, there is a latent surplus value of renewable energy certificates of SEK 34 million.

There is an obligation to deliver renewable energy certificates to the competent authority in the country concerned in connection with electricity sales. This obligation is recognized as an expense and a liability. The expense per certificate represents the latest carrying amount as determined by the remeasurement method for intellectual property rights.

SEK million	Dec 31, 2016	Dec 31, 2015
Carrying amount, Jan 1	**100**	69
Production during the year	**49**	64
Cancellations during the year due to own consumption	**-7**	-5
Acquisitions during the year	**0**	3
Sales during the year	**-25**	-36
Unrealized changes in value after initial recognition	**-28**	5
Book value renewable energy certificates in inventory	**89**	100

NOTE 20. WORK IN PROGRESS CO-OP APARTMENTS AND DEVELOPMENT PROPERTIES CONSTRUCTED FOR SALE

ACCOUNTING PRINCIPLE

The properties that are under construction in order to be sold on completion are recognized in the balance sheet in the line item Work in progress co-op apartments and development properties for sale. Work in progress co-op apartments and development properties for sale are continually recognized at cost (or net realizable value if this is lower). A profit/loss is recognized when the cooperative unit and the development property constructed for sale is completed, sold and handed over to the customer. See also Note 10.

Work in progress co-op apartments and development properties constructed for sale

SEK million	Dec 31, 2016	Dec 31, 2015
Carrying amount, Jan 1	**32**	601
Acquisitions	**117**	-
Construction	**329**	145
Reclassification co-op apartments and development properties for sale	**258**	-
Sold co-op apartments	**-2**	-714
Book value work in progress, co-op apartments and development properties constructed for sale	**734**	32

NOTE 21. TRADE RECEIVABLES

ACCOUNTING PRINCIPLE

Trade receivables are recognized according to the principles described in Note 29 for loans and receivables.

Trade receivables

SEK million	Dec 31, 2016	Dec 31, 2015
Trade receivables	**34**	23
Less provision for impairment of receivables	**-8**	-7
Book value trade receivables	**26**	16

Provisions for doubtful receivables

SEK million	Dec 31, 2016	Dec 31, 2015
Provisions at beginning of the year	**-7**	-7
Verified losses	**0**	0
Provisions for probable losses	**-8**	-7
Reversed unutilized amount	**7**	7
Provisions at year-end	**-8**	-7

Trade receivables due more than two months amounted to SEK 7 million (7). For a description of credit risk, see Note 3.

NOTE 22. OTHER RECEIVABLES

ACCOUNTING PRINCIPLE
Other receivables are recognized according to the principles described in Note 29 for loans and receivables.

CREDIT RISK
Losses on promissory notes occur when the counterparty for some reason cannot fulfill its payment obligations. Wallenstam has provided guarantees for 89 percent of the outstanding promissory note receivables.

Other receivables

SEK million	Dec 31, 2016	Dec 31, 2015
Receivables relating to property transactions	0	0
Promissory notes	80	344
Other	22	64
Book value other receivables	102	408

Other receivables mainly consist of VAT receivables with the Swedish Tax Agency.

NOTE 23. PREPAID EXPENSES AND ACCRUED INCOME

ACCOUNTING PRINCIPLE
Accrued income is recognized according to the principles described in Note 29 for loans and receivables.

Prepaid expenses and accrued income

SEK million	Dec 31, 2016	Dec 31, 2015
Prepaid insurance premiums	1	1
Prepaid operating expenses	11	14
Prepaid administrative expenses	11	11
Prepaid expenses connected to transactions	7	6
Prepaid rental expenses	7	7
Accrued income	15	16
Accrued interest income	3	14
Book value prepaid expenses and accrued income	55	69

NOTE 24. PARTICIPATIONS IN PROPERTIES

ACCOUNTING PRINCIPLE
Measurement of participations initially occurs at fair value, according to the principles described in Note 29 relating to available-for-sale financial assets.

Participations in properties consist of externally acquired holdings in cooperative associations. These are measured at fair value based on available market information for comparable properties corresponding to IFRS 13 level 3 of the fair value hierarchy.

Participations

SEK million	Dec 31, 2016	Dec 31, 2015
Opening acquisition cost	28	25
Investments during the year	67	43
Sales during the year	-80	-40
Book value participations in properties	15	28

NOTE 25. CASH AND CASH EQUIVALENTS

ACCOUNTING PRINCIPLE

Wallenstam's cash and cash equivalents consist of cash and bank balances and investments in securities with a maturity of less than three months. These assets are considered to be immediately negotiable, which means the carrying amount corresponds to fair value. Where appropriate, utilized overdraft facilities are recognized as borrowing among current liabilities.

Cash and cash equivalents

SEK million	Dec 31, 2016	Dec 31, 2015
Cash and cash equivalents	**98**	41
Approved amount, overdraft facilities	**800**	800
Utilized amount, overdraft facilities	**-**	-169
Conditional unutilized overdraft facility	**39**	0
Blocked bank funds	**-7**	-7
Conditional unutilized overdraft facility	**832**	624
Available liquid assets	**930**	665

There is also an approved credit commitment and credit facilities of SEK 2,337 million (1,215), of which SEK 2,928 million (1,846) was available for use on closing day. Total available liquid assets amounted to SEK 3,026 million (1,887).

NOTE 26. EQUITY

ACCOUNTING PRINCIPLE

Equity in the Group is distributed as follows. Share capital corresponds to the parent company's share capital. Other contributed capital consists of capital contributed by shareholders in addition to share capital. This includes the parent company's recognized statutory reserve to the extent contributed by the shareholders. Other reserves consist of amounts that must be recognized in other comprehensive income under IFRS rules. Profit brought forward consists of accumulated profits from the Group's operations and net profit for the year, less dividends to shareholders. This category includes the parent company's recognized statutory reserve to the extent it consists of amounts carried forward from net profit for the year.

Repurchased own shares including related repurchase expenses are recognized as a reduction of retained earnings. Dividends paid to the parent company's shareholders are recognized as a reduction in equity once approved by the AGM.

A specification of change in equity is provided in the Consolidated Statement of Changes in Equity, immediately after the balance sheet.

Number of shares

Number of shares	A shares	B shares	Total number	Of which treasury shares	Outstanding shares	Quota value, SEK
Number Dec 31, 2015	34,500,000	305,500,000	340,000,000	8,200,000	331,800,000	0.50
Repurchase				2,800,000	-2,800,000	
Number Dec 31, 2016	34,500,000	305,500,000	340,000,000	11,000,000	329,000,000	0.50

The share capital in Wallenstam AB consists of 34,500,000 A shares, which carry ten votes each, and 305,500,000 B shares, which carry one vote each. On closing day, the number of repurchased B shares amounted to 11,000,000 shares, corresponding to 3 percent of the share capital. During 2016, a total of 2,800,000 shares were repurchased at an average price of SEK 68.56 per share. The average cost for all treasury shares amounts to SEK 59.42 per share.

The proposed dividend for the 2016 financial year is SEK 1.70 per share (1.50).

NOTE 26. EQUITY, CONT.

Earnings per share

Recognized earnings per share have been calculated by dividing net profit for the year by the average number of outstanding shares during the year. The Group uses the net profit attributable to the parent company's shareholders when calculating earnings per share.

Specification of parameters used	2016	2015
Net profit for the year excluding participations attributable to non-controlling interests, SEK million	**3,348**	2,743
Average number of shares, thousands	**330,409**	333,536
Earnings per share, SEK	**10.1**	8.3

There are no dilution effects.

NOTE 27. DEFERRED TAX

ACCOUNTING PRINCIPLE

Provision for deferred tax is calculated according to the liability method on all temporary differences arising between carrying amounts and fiscal values of assets and liabilities. Deferred tax assets and deferred tax liabilities are measured at nominal amounts in the balance sheet and in accordance with the tax regulations and tax rates that are enacted or announced on closing day. Exceptions are made for temporary differences that arise on initial recognition of assets and liabilities that constitute asset acquisitions. No deferred tax is recognized for these. In Wallenstam there are mainly four items where temporary differences occur that constitute a basis for recognition of deferred tax: properties, wind turbines, changes in value of derivative instruments and loss carryforwards. Deferred tax liability consists primarily of the temporary difference between the carrying amounts of properties and their fiscal value.

Deferred tax assets in respect of deductible temporary differences and tax loss carryforwards are recognized to the extent that it is probable they may be used against future profits and thus lead to lower tax expenditures. A deferred tax asset or deferred tax liability is recognized in the case of changes in value of financial derivative instruments depending on whether the market values at he market values at the time constitute a liability or an asset. Should any change to the above-mentioned balance sheet items occur, the deferred tax liability/asset is also changed, and this is recognized in the income statement as deferred tax. There are no time limitations in respect of the Group's losses and essentially all loss carryforwards in the Group are measured.

Deferred tax assets are recognized net in the balance sheet, as are deferred tax liabilities where these apply to the same tax authority (country).

ASSESSMENTS AND ESTIMATES

According to the accounting rules, deferred tax should be recognized at nominal value without discounting at the prevailing tax rate, currently 22 percent. Wallenstam mainly has three items where temporary differences occur that constitute a basis for recognition of deferred tax: properties, derivative instruments and loss carryforwards. When measuring loss carryforwards an assessment is made of the probability that the loss can be utilized in the future. Confirmed losses which with a high degree of certainty can be used against future profits form the basis for calculating deferred tax assets. In the case of asset acquisitions, no deferred tax is recognized attributable to the acquisition.

Deferred tax assets include measured loss carryforwards totaling SEK 587 million (627), which mainly corresponds to the Group's Swedish loss carryforwards. Estimated tax on the non-measured deficit amounted to SEK 24 million (22).

Deferred tax assets

	Dec 31, 2016		Dec 31, 2015	
SEK million	Basis	Tax 22%	Basis	Tax 22%
LOSS CARRYFORWARDS				
Opening balance	**2,849**	**627**	3,528	776
Change in tax loss carryforwards during the year	**-159**	**-35**	-686	-151
Divested losses	**0**	**0**	-1	0
Acquired losses	**0**	**0**	17	4
Non-measured loss	**-7**	**-2**	-12	-3
Adjustment of tax, previous years	**-16**	**-4**	3	1
At year-end as per balance sheet	**2,668**	**587**	2,849	627
INTEREST RATE DERIVATIVES				
Opening balance	**814**	**179**	1,003	221
Change in value for the year, unrealized	**156**	**34**	-189	-42
At year-end as per balance sheet	**970**	**213**	814	179

NOTE 27. DEFERRED TAX, CONT.

Deferred tax assets, cont.

SEK million	Dec 31, 2016 Basis	Tax 22%	Dec 31, 2015 Basis	Tax 22%
PENSION COMMITMENTS INCL. PAYROLL TAX				
Opening balance	**42**	**9**	37	8
Changes during the year	**3**	**1**	5	1
At year-end as per balance sheet	**45**	**10**	42	9
SHAREHOLDING				
Opening balance	**2**	**0**	1	0
Changes during the year	**-1**	**0**	1	0
At year-end as per balance sheet	**1**	**0**	2	0
OTHER TEMPORARY DIFFERENCES				
Opening balance	**40**	**9**	60	13
Changes during the year	**-20**	**-4**	-20	-4
At year-end as per balance sheet	**20**	**5**	40	9
TOTAL DEFERRED TAX ASSETS	**3,704**	**815**	3,747	824

Deferred tax liabilities

SEK million	Dec 31, 2016 Basis	Tax 22%	Dec 31, 2015 Basis	Tax 22%
PROPERTIES				
Opening balance	**15,346**	**3,375**	13,255	2,916
Conversions during the year	**301**	**66**	301	66
Depreciation for the year	**253**	**56**	230	51
Additional depreciation for the year	**-**	**-**	5	1
Impairment losses and reversals	**-**	**-**	20	4
Change in value for the year	**3,470**	**764**	2,507	552
Change in value for the year, other comprehensive income	**1**	**0**	-	-
Reversals for the year, due to sales	**-520**	**-114**	-1,063	-234
Adjustment of tax, previous years	**0**	**0**	34	7
Tax exempted due to asset acquisitions	**74**	**16**	57	12
At year-end as per balance sheet	**18,925**	**4,163**	15,346	3,375
WIND TURBINES				
Opening balance	**749**	**165**	751	165
Depreciation for the year	**-2**	**0**	-1	0
Additional depreciation for the year	**230**	**50**	167	37
Impairment losses for the year	**-**	**-**	-120	-26
Changes in value of derivatives for the year, realized	**18**	**4**	8	2
Changes in value of derivatives for the year, unrealized	**25**	**6**	-24	-5
Reversals for the year, due to sales	**-**	**-**	-29	-6
Changes in value of renewable energy certificates, realized	**-23**	**-5**	7	2
Remeasurement of participations in foreign subsidiaries	**0**	**0**	-10	-2
At year-end as per balance sheet	**997**	**220**	749	165
TOTAL DEFERRED TAX LIABILITIES	**19,922**	**4,383**	16,095	3,540
NET DEFERRED TAX				
Opening balance	**12,348**	**2,716**	9,377	2,063
Changes during the year	**3,870**	**852**	2,971	653
At year-end as per balance sheet	**16,218**	**3,568**	12,348	2,716

NOTE 28. OTHER PROVISIONS

ACCOUNTING PRINCIPLE

A provision is recognized when the Group has an existing legal or informal obligation as a result of prior events where it is probable that an outflow of resources will be required to settle the commitment and a reliable estimate of the amount can be made. The amount that is expected to be required to settle the obligation is recognized as a provision. Recognized provisions consist of those for deferred tax, pensions, warranty commitments in connection with conversion work in sold properties and, where appropriate termination benefits and estimated amounts for risks in disputes. Under IFRIC 21, property tax is entered as a liability in full when the obligation arises, which occurs on January 1 every year.

Capital value pension provisions and pension commitments are recognized net according to IAS 19.

Other provisions

SEK million	Dec 31, 2016	Dec 31, 2015
Opening capital value, provision for pension commitments	**-40**	-35
Investments during the year	**-3**	-3
Changes in value during the year	**0**	-2
Closing capital value provision for pension commitments	**-43**	-40
Closing capital value of pension commitments	**43**	40
Other provisions	**-13**	-
Book value other provisions	**-13**	-

NOTE 29. FINANCIAL INSTRUMENTS AND FINANCING

ACCOUNTING PRINCIPLE

Financial instruments recognized in the balance sheet include:

- financial assets and financial liabilities measured at fair value through profit or loss
- loans and receivables
- held-to-maturity investments
- available-for-sale financial assets
- financial liabilities measured at amortized cost

The classification depends on the purpose for which the financial asset or liability was acquired.

A financial instrument is measured initially at fair value plus transaction costs, with the exception of the categories financial assets or financial liabilities measured at fair value in profit or loss, which are recognized at fair value excluding transaction expenses.

A financial asset or liability is carried in the balance sheet when the company becomes party to an agreement. Trade receivables are carried in the balance sheet when invoices are sent. A liability is recognized when the counterparty has performed and a contractual obligation to pay exists, even if an invoice has not been received. A financial asset (or part thereof) is derecognized when the contractual rights are realized, lapse or the company transfers in all material respects the risks and benefits associated with ownership. A financial liability (or part thereof) is derecognized when the obligation in the agreement is fulfilled or is otherwise extinguished. A financial asset and financial liability are offset and recognized as a net amount in the balance sheet only where there is a legal right to offset the amounts and it is intended that the items will be settled by a net amount or that the asset will be realized and the liability settled simultaneously. Wallenstam recognizes its financial contracts at gross value for financial instruments such as interest rate swaps and currency futures contracts as no legally binding netting agreements exist. Wallenstam has not identified any embedded derivatives that are to be separated from their host contracts and recognized individually. The Group assesses on an ongoing basis whether there are objective grounds for recognizing impairment of a financial asset. When there is no write-down requirement, the size of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted by the original effective interest rate.

In accordance with IFRS 13, the fair value of certain assets and liabilities should be disclosed even when they are not measured at fair value in the balance sheet. Wallenstam has loans with the major Swedish banks. According to Wallenstam's finance policy, an individual bank may at most account for 50 percent of the financing to safeguard the spread of risks in relation to financiers. Wallenstam's capital tied up at year-end 2016 was around 6 months (9). Wallenstam has diversified property holdings with approximately equal proportions of residential and commercial space. Combined with the company's stable development over time, this means no immediate substantial changes in counterparty risk are anticipated. The fair value of the Group's credit liabilities is considered to essentially correspond to recognized liabilities.

Financial assets and financial liabilities measured at fair value through profit or loss

This category consists of three sub-groups: financial assets and financial liabilities held for trading, i.e. whose main purpose is to be sold or repurchased in the short term, derivatives, and other financial assets and liabilities which the Group initially chose to include in the Fair Value Option category. Derivatives are classified as held for trading if they are not identified as hedges. Financial assets and liabilities in this category are measured on an ongoing basis at fair value, with changes in value recognized in profit or loss. This category mainly includes interest rate derivatives, electricity derivatives and currency future contracts, as well as minor holdings in listed companies.The value of investments in listed shares is calculated using quoted market prices. Derivative instruments are recognized in the balance sheet on the date of contract at fair value, both initially and at subsequent remeasurement.

Participations are recognized under current assets and consist of externally acquired shares in cooperative associations. These are measured at fair value, where fair value consists of the estimated sales value. When co-op apartment units are sold, the income is recognized as Revenue, co-op apartment sales and the sold unit's carrying amount as Expenses, co-op apartment sales. For all financial instruments measured at fair value according to IFRS 13, a description must be given of how fair value is assessed for all financial instruments measured at fair value and how this value is classified in relation to three levels in a fair value hierarchy.

The different levels of the hierarchy are defined as:
- quoted prices (unadjusted) on active markets for identical assets or liabilities (level 1).
- observable inputs for the assets or liabilities other than quoted prices included in level 1, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2).
- unobservable inputs for the asset or liability (level 3).

All derivative instruments measured at fair value in the balance sheet are attributable to level 2 under IFRS 13 as they are based on discounted future cash flows in accordance with the contract terms and maturities based on the market rate for similar instruments on closing day. Holdings in listed companies measured at fair value are attributable to level 1. Measurement of participations relating to externally acquired holdings in housing cooperatives and holdings in unlisted companies are attributable to level 3.

Measurement of liabilities to credit institutions and derivative instruments classified within level 2 is based on information from the banks concerned. The same applies to held-to-maturity investments. For information concerning electricity derivatives, market information is obtained from Nord Pool and they are classified at level 2. Other liabilities are measured at amortized cost, which corresponds to nominal value with additions for additional or outgoing valuation items. No change or transfer of any instruments between the different levels of the fair value hierarchy took place during 2016.

Loans and receivables
This category includes rents and trade receivables, cash and cash equivalents, promissory notes and other receivables. These are measured at amortized cost. Amortized cost is determined on the basis of the effective interest rate that was calculated on the date of acquisition. The anticipated duration of trade receivables is short, for which reason they are recognized at nominal amounts without discounts. Trade receivables and loan receivables are recognized at the amounts expected to be received, i.e. less doubtful receivables. Cash and cash equivalents are recognized at nominal value. Trade receivables consist chiefly of rent receivables and trade receivables in respect of electricity sales. Promissory notes are principally related to property transactions.

Available-for-sale financial assets
Available-for-sale financial assets consist of non-derivative assets that are available for sale. Measurement is initially at fair value, usually cost. Fair value adjustment of these instruments is recognized in other comprehensive income in the income statement and in the balance sheet as securities held as non-current assets and participations. Dividends, interest income and impairment losses are recognized in the income statement.

Financial liabilities recognized at amortized cost
Loans from credit institutions and suppliers and other liabilities are measured at amortized cost. Wallenstam's liabilities consist primarily of liabilities to credit institutions and operating liabilities such as trade payables. Liabilities with a term of more than 12 months are recognized as non-current, others as current. The majority of Wallenstam's liabilities have a shorter maturity than 12 months and are recognized as current. Overdraft facilities refer to loans under current liabilities.

Loans are raised in Swedish kronor and recognized in the balance sheet on settlement day at fair value less transaction costs on initial recognition.

FINANCIAL RISK FACTORS

! In addition to operational and external risks, through its operations Wallenstam is exposed to various financial risks such as interest rate risk, liquidity risk, currency risk and financing risk. These risks arise in the Group's reported financial instruments such as cash and cash equivalents, interest-bearing receivables, trade receivables, trade payables, borrowings and derivatives and are described further per category below.

Financial risk management
To minimize its risks, Wallenstam works through its finance department according to the financial policy that is reviewed and approved by the Board annually. The policy describes the purpose, organization and distribution of duties for financing activities, along with rules for financial risk management. It seeks to limit the company's financial risks, which mainly consist of interest rate risk, refinancing risk and liquidity risk.

Wallenstam's financial operations are centralized in the parent company's finance department, which acts as an internal bank with responsibility for borrowing, cash management and financial risk management. Wallenstam strives to achieve a balance between a good return on equity and an acceptable level of risk. The finance department has instructions, systems and a division of duties that aim to achieve good internal control and operational follow-up. Major financing solutions must be approved by the Board of Directors; the Board is informed about financial matters at every Board meeting.

Liquidity risk

! A liquidity risk involves a situation where cash and cash equivalents for payment of commitments cannot be secured.

Wallenstam prioritizes a low loan-to-value ratio, which provides greater freedom of action to fulfil approved investments and payment obligations. Management makes forecasts on an ongoing basis regarding Group liquidity based on expected cash flows. The Group's liquidity risk is limited by aiming to hold liquidity corresponding to at least three months of known net payments at any given time.

Available liquid assets, including bank overdraft facilities less blocked bank balances amounted to SEK 930 million (665). Approved overdraft facilities amounted to SEK 800 million (800) and EUR 4 million (0). The EUR credit facility is conditional on the development in value of electricity futures on the Nasdaq. The Group also has an approved credit commitment and credit facilities of SEK 2,337 million (1,215). As of December 31, 2016, the Group had long-term unutilized loan facilities of SEK 2,928 million (1,846), consisting of a building credit totaling SEK 628 million (215) plus unutilized overdraft facilities amounting to SEK 800 million (631) and back-up for the commercial paper program of SEK 1,500 million (1,000). Total available liquid assets amounted to SEK 3,026 million (1,887).

Financing risk and covenants
Financing risk corresponds to difficulties in obtaining financing for operations at a given time.

Wallenstam works actively to achieve low financing risk in relation to market pricing, i.e. the best possible net financial items within a given risk framework. The Board of Directors sets the level of capital tied up in the loan portfolio on a continuous basis. The Group has long-term collaboration with the major Swedish business banks. The goal is to have financing from at least three of the major Swedish commercial banks and a loan portfolio with a spread of maturities and terms in relation to pricing. The Group should limit refinancing risk by always planning refinancing negotiations in advance.

To optimize the terms of the loan portfolio, the Group's borrowing is generally guaranteed by the parent company. We mainly have conventional loans with mortgages secured against property. The financing of wind farms is mainly secured through the bond market. For the commercial paper program and outstanding bonds no sureties are pledged.

The bonds have associated covenants stating that the Group's loan-to-value ratio must not exceed 75 percent, that the interest coverage ratio for a rolling 12-month period must not be less than 1.5 times and that the principle shareholder is unchanged. For commercial paper with a limit of SEK 4 billion (2), Wallenstam has undertaken, at each given time, to have access to liquidity facilities that in terms of maturity and total nominal amount are at least equivalent to outstanding commercial paper. Outstanding commercial paper on closing day amounted to SEK 2,535 million (1,591) and available liquidity facilities amounted to SEK 3,026 million (1,887).

The bond loans total SEK 1,500 million (1,100). Wallenstam AB issued two bonds in June 2014 with a term of three years, maturity in 2017, of which one bond is for SEK 400 million with variable interest (STIBOR 3M + 110 points) and the other is for SEK 200 million with interest fixed at 2.125 percent. In March 2015, a green bond was issued for SEK 500 million with a term of four years, maturity in 2019, with variable interest (STIBOR 3M + 110 points). In addition, Wallenstam AB issued a further green bond for SEK 400 million in May 2016. These bonds run for two years and mature in May 2018 with a floating interest rate (STIBOR 3M + 95 points).

Interest-bearing liabilities amounted to SEK 16,473 million (15,153) on December 31, 2016 of which SEK 1,399 million (1,599) are non-current.

Financing

SEK million	2016	2015
Loans	**12,438**	12,462
Commercial paper	**2,535**	1,591
Bonds	**1,500**	1,100
Interest-bearing liabilities	**16,473**	15,153

Loan agreement maturity structure

	Dec 31, 2016		Dec 31, 2015	
	Amount, SEK million	Partic., %	Amount, SEK million	Partic., %
0–3 months	**5,188**	**32**	2,437	16
3 months–1 year	**9,886**	**60**	11,117	73
1–2 years	**847**	**5**	600	4
2–3 years	**500**	**3**	447	3
3–4 years	**-**	**-**	500	3
4–5 years	**-**	**-**	-	-
5–6 years	**52**	**0**	-	-
6–7 years	**-**	**-**	52	0
	16,473	**100**	15,153	100

In addition to the above, there are other liabilities that also include trade payables, which usually have maturities of 30 days, and interest rate derivatives with a negative value of SEK 970 million (814).

Interest rate risk

Interest rate risk refers to how changes in interest rates will affect the Group's net financial items and the value of financial instruments.

Wallenstam's loan portfolio consists of loans of different terms from different lenders. A good balance between a long fixed interest term providing stability and a short fixed interest term that normally provides the lowest interest expense is important in achieving a stable interest expense trend.

The Group's average fixed interest term should fall within the 24–48 month range. The Group aims for loan conversions to be evenly distributed over the year.

Interest rate derivatives are used to spread risk and with the aim of protecting the underlying portfolio. Financial instruments, interest rate swaps are used to limit interest risks in the loan portfolio and in order to influence the fixed interest term in the loan portfolio in a flexible way. Borrowing usually takes place with short fixed interest terms, and interest rate swaps are used to achieve the desired fixed interest profile.

Thus derivative instruments are used for the purpose of reducing risk and should be linked to an underlying exposure. The Group currently has derivative instruments, which are recognized in the category financial assets and liabilities measured at fair value through profit or loss. The corresponding interest paid is recognized under interest expenses including the effect of realized interest rate derivatives and the net change in value of outstanding derivative liabilities for the year is recognized as change in value, derivative instruments.

The average interest rate on closing day, which takes into account the effects of swaps entered into in line with realization through payment was 1.97 percent (2.22). The average effective interest rate for the financial year was 2.04 percent (2.32) and the loan-to-value ratio on closing day was 43 percent (45).

The average fixed interest term was 37 months (39). With the distribution of fixed interest terms existing at the beginning of 2017, a change in the interest rate of one percentage point at the beginning of the year would affect Wallenstam's interest expense by around SEK 82 million (67) before tax equivalent to around 11 percent (9) of Wallenstam's cash flow from operating activities before change in working capital. The equivalent effect after tax was SEK 64 million (52).

Interest maturity structure

	Dec 31, 2016		Dec 31, 2015	
	Amount, SEK million	**Average interest,%**	Amount, SEK million	Average interest,%
0–3 months*	**7,321**	**1.45**	6,100	1.58
3 months–1 year	**1,397**	**1.04**	898	1.32
1–2 years	**100**	**1.75**	800	2.79
2–3 years	**130**	**2.57**	500	2.99
3–4 years	**1,000**	**2.66**	530	3.05
4–5 years	**1,200**	**3.05**	1,000	2.66
5–6 years	**1,500**	**2.48**	1,100	3.10
6–7 years	**1,475**	**2.71**	1,500	2.48
7–8 years	**650**	**3.40**	1,475	2.71
8–9 years	**400**	**2.40**	650	3.40
> 9 years	**1,300**	**2.04**	600	2.45
	16,473	**1.97**	15,153	2.22

* Loans with an interest maturity within three months have an average interest of 0.38 percent (0.44). 1.45 percent (1.58) includes the effects of swap agreements and fixed interest loans that fall due within a three month period.

Weighted average interest rates on loans taking into account effects of derivative instruments

%	**2016**	2015
Loans	**2.04**	2.32
Overdraft facilities	**0.55**	0.85

In relation to liabilities to credit institutions on closing day, interest expense for 2017 is estimated to be in the region of SEK 325 million (336), based on the average interest rate on closing day.

Currency risk

Currency risk refers to the risk of an impact on the Group's earnings and financial position as a result of changed exchange rates.

Wallenstam is exposed to currency risks both through exchange rate fluctuations in future payment flows (transaction exposure) and in respect of remeasurements of net assets in foreign subsidiaries (translation exposure).

Transaction-related currency exposure
The Group's transaction-related currency exposure mainly arises during purchasing of building components. To minimize the financial impact of currency market fluctuations on its earnings, the Group uses futures contracts to hedge these flows. Upon purchase or sale of goods or services in foreign currency exceeding a value of SEK 10 million, at least 70 percent of the investment amount should be hedged in connection with the signing of contracts.

Translation exposure
The Wallenstam Group is subject to translation exposure from the consolidation of its Norwegian subsidiary. It reports its financial position in local currency, which is translated into Swedish kronor. This gives rise to a translation difference, since assets and liabilities are translated at the closing day rate while items pertaining to profit or loss are translated at the average rate for the year.

Credit risk
Wallenstam's credit risks are described in Note 3.

The maximum credit risk corresponds to the book value of derivatives, promissory note-, trade- and other current receivables including accrued income and cash holdings. Promissory note receivables amounted to SEK 335 million (598), of which SEK - million (243) mature within three months, SEK 80 million (113) within 3–12 months, SEK 37 million (16) within 1–5 years and SEK 218 million (225) after five years.

Derivatives amounted to SEK 12 million (15), of which SEK 3 million mature within three months, SEK 1 million within 3–12 months and SEK 8 million within 1–5 years. Other financial instruments such as trade receivables and current receivables mainly mature within three months of closing day and amounted to SEK 66 million (110). There are pledged assets of SEK 298 million (252) for promissory note receivables.

Classification of financial instruments

SEK million	Financial assets measured at fair value through profit or loss 31.12.16	31.12.15	Loans and receivables 31.12.16	31.12.15	Available-for-sale financial assets 31.12.16	31.12.15	Total 31.12.16	31.12.15	Income statement
FINANCIAL ASSETS									
Promissory notes	**-**	-	**335**	598	**-**	-	**335**	598	Interest income
Participations in properties	**15**	28	**-**	-	**-**	-	**15**	28	Expenses, sales of co-op apartments
Other non-current receivables	**-**	-	**-**	21	**-**	-	**-**	21	Net financial items, Operating expenses
Other securities held as non-current assets and other shares of property interests	**32**	7	**-**	-	**78**	42	**110**	49	Net financial items, Other comprehensive income
Interest derivatives	**-**	15	**-**	-	**-**	-	**-**	15	Unrealized change in derivatives
Electricity derivatives	**12**	-	**-**	-	**-**	-	**12**	-	Unrealized change in derivatives
Trade receivables	**-**	-	**26**	16	**-**	-	**26**	16	Rental income
Other current receivables	**-**	-	**40**	94	**-**	-	**40**	94	-
Cash and cash equivalents	**-**	-	**98**	41	**-**	-	**98**	41	-
Total financial assets	**59**	50	**499**	770	**78**	42	**636**	862	

SEK million	Financial liabilities measured at fair value through profit or loss 31.12.16	31.12.15	Financial liabilities measured at amortized cost 31.12.16	31.12.15	Total 31.12.16	31.12.15	Income statement
FINANCIAL LIABILITIES							
Other non-current liabilities	**81**	75	**5**	2	**86**	77	Unrealized change in synthetic option program
Interest derivatives	**970**	829	**-**	-	**970**	829	Unrealized change in derivatives
Electricity derivatives	**-**	32	**-**	-	**-**	32	Unrealized change in derivatives
Interest-bearing liabilities	**-**	-	**16,473**	15,153	**16,473**	15,153	Interest expenses
Trade payables	**-**	-	**134**	166	**134**	166	Operation and administration
Accrued expenses	**-**	-	**181**	170	**181**	170	Operation and administration
Other current liabilities	**-**	-	**37**	170	**37**	170	Operation and administration
Total financial liabilities	**1,051**	936	**16,830**	15,661	**17,881**	16,597	

NOTE 30. ACCRUED EXPENSES AND DEFERRED INCOME

SEK million	Dec 31, 2016	Dec 31, 2015
Accrued salary costs	**37**	33
Accrued interest expenses	**38**	45
Accrued operating expenses	**66**	44
Accrued administrative expenses	**14**	28
Prepaid rental income	**152**	150
Accrued expenses co-op apartment construction, aftermarket	**17**	21
Accrued expenses connected to property transactions	**9**	0
Book value accrued expenses and deferred income	**333**	321

NOTE 31. PLEDGED ASSETS

ACCOUNTING PRINCIPLE

Security is pledged for the Group's obligations, mainly in the form of mortgage deeds for properties. No collateral is provided for bonds or commercial paper programs. For commercial paper, Wallenstam has undertaken to have access to liquidity facilities that in terms of maturity and total nominal amount are at least equivalent to outstanding commercial paper.

Pledged assets

SEK million	Dec 31, 2016	Dec 31, 2015
Property mortgages in respect of property-linked loans	**15,053**	14,107
Pension commitments	**43**	40
Wind turbines	**62**	71
Blocked bank funds	**7**	7
Book value pledged assets	**15,165**	14,225

NOTE 32. CONTINGENT LIABILITIES

ACCOUNTING PRINCIPLE

A contingent liability refers to a possible commitment arising from past events and whose existence is only confirmed when one or more uncertain future events occur or when there is a commitment that is not recognized as a liability or provision because it is unlikely that an outflow of resources will be required.

There is responsibility for the reversal of VAT on investments in commercial premises relating to tenants liable for VAT when the premises are leased to a tenant not liable for VAT. It is not possible to determine the amount.

Contingent liabilities

SEK million	Dec 31, 2016	Dec 31, 2015
Guarantee Fastigo	**2**	3
Investments in wind turbines	**29**	27
Guarantee commitments	**75**	-
Parent company guarantees to municipalities	**19**	-
Parent company guarantees to County Administrative Board	**3**	-
Book value contingent liabilities	**128**	30

NOTE 33. STATEMENT OF CASH FLOWS

ACCOUNTING PRINCIPLE

The statement of cash flows shows changes in cash and cash equivalents and the Group's available liquid assets for the period. The statement of cash flows is prepared according to the indirect method, which involves adjustment of the operating profit/loss for transactions that do not entail incoming or outgoing payments during the period, broken down into the different operating segments:

- operating activities: revenue and expenses included in operating profit/loss, interest received and paid, taxes paid and change in working capital
- investing activities: purchases of non-current assets and other types of investments
- financing activities: raised and amortized loans, dividends, repurchase of shares and any new share issues.

Adjustment items, not affecting cash flow

SEK million	2016	2015
Capital gain/loss properties, co-op apartment projects and apartments	**-234**	-417
Realized profit from sales of other assets	**-**	30
Depreciation	**106**	102
Other adjustments	**-6**	-27
Total adjustment items, not affecting cash flow	**-134**	-312

NOTE 34. COMPANY ACQUISITIONS AND SALES

During the year, Wallenstam acquired a number of properties converted into companies. All transactions for the year were assessed as being asset acquisitions. As in the previous year, a number of properties were divested in a similar manner. Disclosures regarding asset acquisitions and property sales are provided in Note 14.

NOTE 35. POST-BALANCE SHEET EVENTS

On January 25, 2017, it was announced that Thomas Dahl Vice CEO with responsibility for Wallenstam's operations in Gothenburg and Skåne, has decided to leave the company. Thomas, who has worked in the company since 1988 and has been Vice CEO since 2007, will leave his position on June 30, 2017.

In late January, the Swedish Union of Tenants, Western Sweden Region and the Swedish Property Federation GFR reached an agreement concerning rents for 33,000 households in the Gothenburg area. For Wallenstam, the agreement means an average rent increase of 1.3 percent for both 2016 and 2017.

PARENT COMPANY INCOME STATEMENT

SEK MILLION	Note	2016	2015
Management revenue	2	**219**	195
Management costs and administrative expenses	4, 6	**-307**	-290
Unrealized change in value, synthetic options scheme	4	**-7**	-31
Rental income		**80**	69
Operating expenses	7	**-54**	-35
Depreciation and impairment losses, properties and equipment	12	**-48**	-18
Operating profit/loss		**-117**	-110
Profit from participations in Group companies	8, 13	**392**	486
Interest income and similar profit/loss items	9	**380**	529
Interest expenses and similar profit/loss items	9	**-498**	-652
Unrealized change in value, derivative instruments		**-156**	189
Net financial items		**118**	552
Profit after financial items		**1**	442
Appropriations			
Additional depreciation		**-**	-5
Group contributions paid		**-155**	-614
Tax on net profit for the year	10	**43**	-33
Net profit for the year		**-111**	-210
Comprehensive income		**-111**	-210

PARENT COMPANY BALANCE SHEET

SEK million	Note	**Dec 31, 2016**	Dec 31, 2015
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Capitalized expenses, computer software	11	**15**	14
Total intangible assets		**15**	14
Property, plant and equipment	12		
Investment properties		**1,324**	1,192
Equipment		**10**	11
Total property, plant and equipment		**1,334**	1,203
Financial assets			
Participations in subsidiaries	13	**5,436**	5,469
Receivables from Group companies	13, 21	**16,655**	11,771
Other shares of property interests	13, 21	**7**	15
Deferred tax assets	14	**378**	336
Other non-current receivables	21	**1**	1
Total financial assets		**22,477**	17,592
TOTAL NON-CURRENT ASSETS		**23,826**	18,809
CURRENT ASSETS			
Inventories	21	**-**	1
Trade receivables	21	**1**	1
Other receivables	21	**0**	29
Tax assets		**6**	-
Financial derivative instruments	15, 21	**-**	15
Prepaid expenses and accrued income	16, 21	**14**	29
Cash and cash equivalents	17, 21	**57**	22
Total current assets		**78**	97
TOTAL ASSETS		**23,904**	18,906
EQUITY AND LIABILITIES			
EQUITY	18		
Restricted equity			
Share capital		**170**	170
Statutory reserve		**122**	122
Total restricted equity		**292**	292
Non-restricted equity	19		
Retained earnings		**4,663**	5,561
Net profit/loss for the year		**-111**	-210
Total non-restricted equity		**4,552**	5,351
TOTAL EQUITY		**4,844**	5,643
UNTAXED RESERVES			
Additional depreciation		**5**	5
NON-CURRENT LIABILITIES			
Other provisions		**5**	-
Interest-bearing liabilities	20, 21	**997**	1,196
Liabilities to Group companies	21	**8,186**	3,410
Financial derivative instruments	15, 21	**966**	809
Other liabilities	21	**82**	75
Total non-current liabilities		**10,236**	5,490
CURRENT LIABILITIES			
Interest-bearing liabilities	20, 21	**8,683**	7,637
Financial derivative instruments	15, 21	**4**	20
Trade payables	21	**30**	21
Tax liabilities		**-**	1
Other liabilities	21	**15**	8
Accrued expenses and deferred income	21, 22	**87**	81
Total current liabilities		**8,819**	7,768
TOTAL EQUITY AND LIABILITIES		**23,904**	18,906

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEK million	Note 18	Share capital	Statutory reserve	Non-restricted equity	Total equity
OPENING BALANCE, JAN 1, 2015		170	122	6,086	6,378
Net profit for the year		-	-	-210	-210
TRANSACTIONS WITH THE COMPANY'S OWNERS					
Dividend		-	-	-376	-376
Repurchase/sale of own shares		-	-	-150	-150
CLOSING BALANCE, DEC 31, 2015		170	122	5,351	5,643
OPENING BALANCE, JAN 1, 2016		**170**	**122**	**5,351**	**5,643**
Net profit for the year		**-**	**-**	**-111**	**-111**
TRANSACTIONS WITH THE COMPANY'S OWNERS					
Dividend		**-**	**-**	**-497**	**-497**
Repurchase/sale of own shares		**-**	**-**	**-192**	**-192**
CLOSING BALANCE, DEC 31, 2016		**170**	**122**	**4,552**	**4,844**

PARENT COMPANY STATEMENT OF CASH FLOWS

SEK million	Note	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit/loss		**-117**	-110
Adjustment for items not included in the cash flow	25	**64**	71
Interest received and interest subsidies received		**380**	529
Interest payments		**-498**	-652
Cash flow before change in working capital		**-171**	-162
CHANGE IN WORKING CAPITAL			
Current receivables		**37**	-29
Current liabilities		**29**	-6
Change in working capital		**66**	-35
CASH FLOW FROM OPERATING ACTIVITIES		**-105**	-197
CASH FLOW FROM INVESTING ACTIVITIES			
Acquired participations		**-212**	-
Sales of participations		**281**	7
Dividends from group companies		**726**	971
Shareholder contributions		**-371**	-
Sale of properties, equipment and intangible assets		**10**	-
Investments in properties, equipment and intangible assets		**-188**	-108
CASH FLOW FROM INVESTING ACTIVITIES		**246**	870
CASH FLOW FROM FINANCING ACTIVITIES			
Repurchase of own shares		**-192**	-150
Group contributions paid		**-155**	-614
Dividend paid		**-497**	-376
Raised interest-bearing liabilities		**4,635**	4,858
Amortization of interest-bearing liabilities		**-3,788**	-3,717
Change in non-current receivables		**-1**	17
Change in liabilities to Group companies		**4,776**	-276
Change in receivables from Group companies		**-4,884**	-436
CASH FLOW FROM FINANCING ACTIVITIES		**-106**	-694
CHANGE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		**22**	43
Cash flow for the year		**35**	-21
Cash and cash equivalents at the end of the year		**57**	22
Unutilized overdraft facility at year-end		**800**	631
Available liquid assets		**857**	653

PARENT COMPANY ACCOUNTING PRINCIPLES AND NOTES

NOTE 1. PARENT COMPANY'S ACCOUNTING PRINCIPLES

The parent company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities.

DIFFERENCES BETWEEN THE ACCOUNTING PRINCIPLES OF THE PARENT COMPANY AND THE GROUP

RFR 2 states that a legal entity must apply the same IFRS/IAS as are applied in the consolidated financial statements as far as possible within the framework of the Swedish Annual Accounts Act, the Swedish Pension Obligations Vesting Act and taking into account the relationship between accounting and taxation. The recommendation states the exceptions from and additions to IFRS that should be made.

In those cases where the accounting principles differ between the Group and the parent company, the parent company's accounting principle is described in direct connection to each Note. Otherwise, the accounting principles of the Group and the parent company correspond. The accounting principles for the parent company have been applied consistently for all periods presented in the parent company's financial statements.

Changes in Swedish regulations

Swedish Financial Reporting Board

The changes during the year in RFR 2, Accounting for Legal Entities, were partly due to changes in the Swedish Annual Accounts Act and partly due to updates on account of a number of amended standards. The changes resulting from amendments to the Swedish Annual Accounts Act and which affected the parent company's reporting relate to item 1 concerning IAS 37 and disclosure of contingent liabilities. This change means that the concept of a contingent liability is replaced by contingent liability with the same meaning as in IFRS. In addition, a number of other new and amended disclosure requirements have arisen due to changes in the Swedish Annual Accounts Act. In other respects, no changes in RFR 2 or in standards have impacted the parent company's reporting.

Classification and presentation

The parent company's income statement and balance sheet are prepared according to the Swedish Annual Accounts Act's layout. The difference from IAS 1, Presentation of Financial Statements, which is applied to the presentation of the consolidated financial statements is mainly in the recognition of financial income and expenses, fixed assets (chiefly Investment properties), equity and the presentation of provisions on a separate line in the balance sheet.

Amended accounting policies

Future changes will, apart from what is described on page 77, impact the parent company's reporting to a limited extent, or not at all.

NOTE 2. MANAGEMENT REVENUE

ACCOUNTING PRINCIPLE

The parent company's net sales consist of administrative and project management services for subsidiaries. This income is recognized in the period it relates to. In the case of subsidiaries that are limited partnerships in which the parent company is a partner, the parent company receives compensation for management services in the form of dividends.

Of the income, SEK 217 million (194) was income from Group companies.

NOTE 3. AVERAGE NUMBER OF EMPLOYEES

	2016		2015	
	Average number of employees	**of whom, women**	Average number of employees	of whom, women
Number of employees	**222**	**128**	212	121

Board members and senior executives

	Dec 31, 2016		Dec 31, 2015	
	Number	**of whom, women**	Number	of whom, women
Board members	**5**	**3**	5	2
CEO, Vice CEOs and senior executives	**6**	**2**	6	2

NOTE 4. SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES

SEK million	**2016** Basic salary	Benefits	Variable remuneration	Social security expenses	Pension expenses	2015 Basic salary	Benefits	Variable remuneration	Social security expenses	Pension expenses
Chairman of the Board	**0.7**	**-**	**-**	**0.2**	**-**	0.7	-	-	0.2	-
Board members	**0.6**	**-**	**-**	**0.1**	**-**	0.6	-	-	0.2	-
Total directors' fees	**1.3**	**-**	**-**	**0.3**	**-**	1.3	-	-	0.4	-
CEO, parent company	**4.4**	**0.8**	**-**	**2.0**	**1.8**	4.3	0.6	-	2.2	1.7
Vice CEOs, 2 persons (3)	**6.2**	**0.3**	**-**	**2.7**	**2.1**	7.6	0.4	-	2.9	2.6
Former vice CEO	**-**	**-**	**-**	**0,1**	**-**	-	-	-	0,1	-
Other senior executives, 3 persons (3)	**3.9**	**0.1**	**-**	**1.4**	**1.2**	3.5	0.1	-	1.5	1.6
Other employees	**108.9**	**3.4**	**-**	**39.9**	**16.8**	101.6	3.2	-	35.9	14.5
Total	**123.4**	**4.6**	**-**	**46.1**	**21.9**	117.0	4.3	-	42.6	20.4

For other information about personnel-related expenses, see the Group's Note 5.

NOTE 5. RELATED-PARTY TRANSACTIONS

For information about Related-party transactions, see the Group's Note 7.

NOTE 6. MANAGEMENT COSTS AND ADMINISTRATIVE EXPENSES

SEK million	2016	2015
Audit assignment	**1.2**	1.2
Total	**1.2**	1.2

Management costs and administrative expenses amounted to SEK 314 million (321). Management costs and administration expenses include all administrative expenses, such as those for offices and commercial premises, personnel, marketing and auditing.

Wallenstam has engaged Deloitte for the audit and the Group's expenses for auditing of property-related companies are handled by the parent company and subsequently allocated to the subsidiaries.

NOTE 7. OPERATING EXPENSES

SEK million	2016	2015
Heating costs	**2**	2
Other operating expenses	**12**	7
Maintenance costs	**34**	20
Property tax	**6**	6
Total operating expenses	**54**	35

NOTE 8. PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

ACCOUNTING PRINCIPLE
Participations in the net profit for the year in limited partnerships are recognized in profit or loss under the heading Profit from participations in Group companies.

Profit from participations in Group companies refers to profit participations in subsidiaries of SEK 226 million (756). Profit from sales of participations in subsidiaries amounted to SEK 99 million (15). Impairment losses of SEK 433 million (485) in respect of subsidiary participations were recognized during the year. Dividends from subsidiaries were also paid of SEK 500 million (200) in total.

NOTE 9. INTEREST INCOME/EXPENSES AND SIMILAR PROFIT/LOSS ITEMS

Interest income and similar profit/loss items amounted to SEK 380 million (529), while interest expenses and similar profit/loss items amounted to SEK 498 million (652). All financial income is interest income from receivables from Group companies. Of financial expenses, SEK 191 million (346) was interest expenses from liabilities to Group companies.

NOTE 10. TAXES

SEK million	**2016**	2015
TAX RECOGNIZED IN THE INCOME STATEMENT		
Current tax	**-**	-
Deferred tax	**43**	-33
Total tax	**43**	-33
Recognized profit before tax	**-154**	-177
Tax according to current tax rate	**34**	39
Tax effect of:		
Non-deductible expenses, non-taxable income	**-99**	-116
Adjustment of tax, previous year	**-5**	0
Dividend	**110**	44
Deferred tax due to disposal of limited partnerships	**3**	-
Tax on net profit for the year in the income statement	**43**	-33

Distribution of current and deferred tax

	2016		2015	
SEK million	**Basis current tax**	**Basis deferred tax**	Basis current tax	Basis deferred tax
Profit before tax	**-154**		-177	
Tax-deductible depreciation	**1**	**-1**	1	-1
Reversal of deduction for reduced value due to sold properties	**8**	**-8**	35	-35
Non-deductible costs	**605**	**-157**	336	189
Dividend	**-500**	**-**	-200	-
Pension commitments secured via endowment insurance	**3**	**-3**	5	-5
Adjustment of tax, previous year	**0**	**23**	0	0
Deferred tax due to disposal of limited partnership	**-**	**-13**	-	-
Current loss for tax purposes	**-37**	**-159**	0	148
Utilization of tax profit/loss carryforwards for the year	**37**	**-37**	0	0
Taxable profit/loss	**-**	**-196**	0	148
Tax on profit/loss for the year in the income statement	**-**	**43**	0	-33

NOTE 11. INTANGIBLE ASSETS

SEK million	Dec 31, 2016	Dec 31, 2015
Opening acquisition cost	**45**	36
Investments during the year	**5**	10
Sales/retirements during the year	**-**	-1
Closing accumulated acquisition cost	**50**	45
Opening amortization	**-31**	-29
Amortization for the year	**-4**	-2
Closing accumulated amortization	**-35**	-31
Book value, intangible assets	**15**	14

Intangible assets refer to capitalized expenses for computer software.

NOTE 12. PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING PRINCIPLE

The parent company's investment properties are measured at cost less accumulated depreciation according to plan over their useful life and with necessary impairment charges. Depreciation according to plan is applied over 50 years, equivalent to properties at 2 percent.

Cost consists of the acquisition price, land registration costs and improvements that increase value. Interest arising during the production period of large constructions, extensions or conversions is not capitalized for tax reasons. Only expenses that generate lasting increases in the value of properties are capitalized. Expenses for conversions of a maintenance nature are charged to earnings.

The carrying amount of investment properties and equipment is tested for impairment when events or changed circumstances indicate that the carrying amount may not be recoverable. If such indications exist and if the carrying amount exceeds the expected recoverable amount, the assets are written down to the recoverable amount, in accordance with IAS 36.

Investment properties

SEK million	Dec 31, 2016	Dec 31, 2015
Opening acquisition cost	**1,036**	944
Investments during the year, including VAT	**180**	93
VAT on investments, annual adjustment	**0**	3
Disposals for the year	**-27**	-4
Closing accumulated acquisition cost	**1,189**	1,036
Opening depreciation	**-81**	-67
Depreciation for the year	**-25**	-14
Reversed retirements for the year	**4**	-
Closing accumulated depreciation	**-102**	-81
Book value, investment properties	**1,087**	955

Land

SEK million	Dec 31, 2016	Dec 31, 2015
Opening acquisition cost	**237**	237
Closing accumulated acquisition cost	**237**	237
Book value, land	**237**	237
Book value, investment properties	**1,324**	1,192

The fair value of investment properties is estimated at SEK 2,354 (2,023) million.

NOTE 12. PROPERTY, PLANT AND EQUIPMENT, CONT

Equipment

SEK million	Dec 31, 2016	Dec 31, 2015
Opening acquisition cost	**44**	44
Investments during the year	**3**	5
Sales/retirements during the year	**0**	-3
Reclassification inventories	**1**	-2
Closing accumulated acquisition cost	**48**	44
Opening depreciation	**-33**	-31
Depreciation for the year	**-5**	-5
Sales/retirements during the year	**0**	2
Reclassification inventories	**-**	1
Closing accumulated depreciation	**-38**	-33
Book value, equipment	**10**	11

NOTE 13. FINANCIAL ASSETS

ACCOUNTING PRINCIPLE

Participations in subsidiaries are recognized in the parent company at cost. For participations in limited partnerships, the book value is adjusted annually by the reporting company's participation in the subsidiary's net profit and the year's deposits and withdrawals.

In cases where the carrying amount of the participations exceeds the subsidiaries' fair value, an impairment loss is charged to the income statement. Where the grounds for a previous impairment loss no longer exist, the impairment loss is reversed.

Value transfers between subsidiaries may arise in connection with intra-group restructuring, whereupon an adjustment of the book value of shares in subsidiaries may be necessary. These transactions are recognized in the balance sheet in accordance with RR 1:00 item 38.

Participations in subsidiaries, change during the year

SEK million	Dec 31, 2016	Dec 31, 2015
Opening acquisition cost	**8,195**	8,202
Liquidation limited partnerships	**-1,272**	-
Deposits/withdrawals equity	**-**	-7
Sales during the year	**-183**	-
Shareholders' contribution	**371**	-
Acquisitions	**212**	-
Closing accumulated acquisition cost	**7,323**	8,195
Opening impairment losses	**-2,726**	-2,241
Liquidation limited partnerships	**1,272**	-
Impairment losses for the year	**-433**	-485
Closing accumulated impairment losses	**-1,887**	-2,726
Book value participations in subsidiaries	**5,436**	5,469

Receivables from Group companies

Receivables from Group companies are non-current and are expected to continue in order to manage liquidity flows in subsidiaries. The parent company has taken out interest swaps on behalf of Group companies. The weighted average interest rate on receivables from subsidiaries amounted to 2.04 percent (2.32).

NOTE 13. FINANCIAL ASSETS, CONT.

Other shares of property interests

SEK million	Dec 31, 2016	Dec 31, 2015
Opening acquisition cost	**15**	35
Sales during the year	**-8**	-20
Book value other shares of property interests	**7**	15

Participations in subsidiaries

The number of shares and the book values are specified for directly-owned companies. Other companies that are part of the Group are owned indirectly and shown in each subsidiary's annual report.

	Corporate identity number	Registered office	Participation, %	Number of participations	Book value, SEK million
Wallenstam Investment AB	556089-7000	Gothenburg	**100**	**2,000**	**2**
Wallenstam Förvaltning AB	556692-0251	Gothenburg	**100**	**1,000**	**1**
Svensk NaturEnergi AB	556618-8552	Gothenburg	**100**	**1,000**	**1,105**
Wallenstam Stacken AB	556720-9910	Gothenburg	**100**	**100,000**	**1,246**
KB Myran nr 200	916447-6377	Gothenburg	**100**	**1**	**154**
KB Myran nr 341	916852-7126	Gothenburg	**100**	**1**	**58**
KB Myran nr 193	916446-7905	Gothenburg	**100**	**1**	**-**
KB Myran nr 347	969614-6381	Gothenburg	**100**	**1**	**-**
KB Myran nr 325	916852-6961	Gothenburg	**100**	**1**	**13**
KB Killingen nr 8 & 9	916447-4851	Gothenburg	**100**	**1**	**37**
KB Myran nr 409	969637-6400	Gothenburg	**100**	**1**	**77**
KB Myran nr 13	916442-2520	Gothenburg	**100**	**1**	**304**
KB Myran nr 345	969614-9476	Gothenburg	**100**	**1**	**607**
KB Myran nr 349	969614-9443	Gothenburg	**100**	**1**	**282**
KB Myran nr 60	916443-3410	Gothenburg	**100**	**1**	**-**
KB Gårda-Stampen	969646-4065	Gothenburg	**100**	**1**	**116**
KB Myran nr 178	916614-5475	Gothenburg	**100**	**1**	**47**
Xuleh New York 1 KB	969690-0761	Gothenburg	**100**	**1**	**61**
KB Myran nr 300	969605-7471	Gothenburg	**100**	**1**	**5**
KB Myran nr 301	969605-7489	Gothenburg	**100**	**1**	**60**
KB Myran nr 302	969605-7497	Gothenburg	**100**	**1**	**216**
KB Myran nr 121	916444-2452	Gothenburg	**100**	**1**	**68**
KB Myran nr 122	916444-2460	Gothenburg	**100**	**1**	**177**
KB Myran nr 179	916614-5483	Gothenburg	**100**	**1**	**35**
KB Myran nr 261	916644-2591	Gothenburg	**100**	**1**	**70**
KB Myran nr 264	916644-2518	Gothenburg	**100**	**1**	**51**
KB Myran nr 269	916644-2567	Gothenburg	**100**	**1**	**-**
KB Myran nr 297	969605-7430	Gothenburg	**100**	**1**	**45**
KB Myran nr 298	969605-7455	Gothenburg	**100**	**1**	**148**
KB Myran nr 299	969605-7463	Gothenburg	**100**	**1**	**102**
KB Myran nr 286	916775-5876	Gothenburg	**100**	**1**	**25**
KB Myran nr 294	916775-5793	Gothenburg	**100**	**1**	**27**
KB Myran nr 314	969605-7570	Gothenburg	**100**	**1**	**88**
KB Myran nr 318	916613-4750	Gothenburg	**100**	**1**	**34**
KB Myran nr 367	969677-9181	Gothenburg	**100**	**1**	**11**
KB Myran nr 280	916775-5942	Gothenburg	**100**	**1**	**40**
KB Göteborg Lorensberg 53:3	969659-8755	Gothenburg	**100**	**1**	**45**
KB Wallenstam Avenyn 1	969637-6681	Gothenburg	**100**	**1**	**80**
Total					**5,436**

During the year Wallenstam AB sold its participations in KB Myran nr 271 and KB Myran nr 272. The company also acquired two limited partnerships, KB Myran nr 200 and KB Myran nr 341. In addition, 12 limited partnerships were liquidated during the year. The company is a general partner in the above limited partnerships.

NOTE 14. DEFERRED TAX

SEK million	Dec 31, 2016	Dec 31, 2015
Deferred tax liability		
Differences booked/tax depreciation	**-61**	-60
Deferred tax assets		
Loss carryforwards	**216**	208
Pensions commitment secured via endowment insurance	**10**	9
Temporary differences, interest rate derivatives	**213**	179
Net deferred tax asset/liability	**378**	336

All tax losses run for unlimited periods.

NOTE 15. FINANCIAL DERIVATIVE INSTRUMENTS

	2016		2015	
SEK million	**Assets**	**Liabilities**	Assets	Liabilities
NON-CURRENT DERIVATIVE INSTRUMENTS				
Interest rate swap contracts cash flow hedges	**-**	**-966**	-	-809
Book value, non-current derivative instruments	**-**	**-966**	-	-809
CURRENT DERIVATIVE INSTRUMENTS				
Interest rate swap contracts cash flow hedges	**-**	**-4**	15	-20
Book value, current derivative instruments	**-**	**-4**	15	-20
Total derivative instruments	**-**	**-970**	15	-829

Maturity structure, financial derivative instruments

SEK million	Dec 31, 2016	Dec 31, 2015
3 months–1 year	**-4**	-5
1–5 years	**-268**	-219
>5 years	**-698**	-590
Total	**-970**	-814

NOTE 16. PREPAID EXPENSES AND ACCRUED INCOME

SEK million	Dec 31, 2016	Dec 31, 2015
Prepaid operation expenses	**12**	28
Accrued income	**2**	1
Total prepaid expenses and accrued income	**14**	29

Of prepaid administrative expenses, SEK 0 million (14) refers to receivables from Group companies.

NOTE 17. CASH AND CASH EQUIVALENTS

SEK million	Dec 31, 2016	Dec 31, 2015
Cash and cash equivalents	**57**	22
Approved amount, overdraft facilities	**800**	800
Utilized amount, overdraft facilities	**-**	-169
Available amount, overdraft facilities	**800**	631
Available liquid assets	**857**	653

NOTE 18. EQUITY

ACCOUNTING PRINCIPLE

Wallenstam AB recognizes Group contributions paid and received as appropriations in the income statement.

Shareholders' contributions are recognized by the parent company (donor) as an increase in the book value of shares and by the subsidiary (recipient) as an increase in non-restricted equity. The value of shareholder contributions capitalized by the parent company is tested as described above under Participations in subsidiaries, changes during the year.

Dividends received from subsidiaries are recognized as revenue provided that they derive from income earned after the acquisition. Dividends which exceed this earned profit are treated as a repayment of the investment and reduce the carrying amount of the participation.

A specification of change in equity is provided in the Parent Company Statement of Changes in Equity, immediately after the balance sheet.

Change in number of shares

Number of shares	A shares	B shares	Total number	Of which treasury shares	Outstanding shares	Quota value, SEK
Number Dec 31, 2015	34,500,000	305,500,000	340,000,000	8,200,000	331,800,000	0.50
Repurchase				2,800,000	-2,800,000	
Number Dec 31, 2016	34,500,000	305,500,000	340,000,000	11,000,000	329,000,000	0.50

The share capital in Wallenstam AB consists of 34,500,000 A shares, which carry ten votes each, and 305,500,000 B shares, which carry one vote each. On closing day, the number of repurchased B shares amounted to 11,000,000, representing 3 percent of the share capital. During 2016, 2,800,000 shares were repurchased at an average price of SEK 68.56 per share. The average cost for all treasury shares amounts to SEK 59.42 per share.

The proposed dividend for the 2016 financial year is SEK 1.70 per share (1.50).

NOTE 19. APPROPRIATION OF PROFITS

SEK	2016	2015
The following earnings are at the disposal of the Annual General Meeting:		
Retained earnings	**4,662,890,060**	5,560,933,944
Net profit for the year	**-111,140,038**	-209,589,290
Total	**4,551,750,022**	5,351,344,654
Shareholder dividend SEK 1.70 per share	**558,790,000**	497,700,000
To be carried forward, SEK	**3,992,960,022**	4,853,644,654
Total	**4,551,750,022**	5,351,344,654

In the company, there are a total of 340,000,000 shares, of which 11,300,000 are non dividend-paying repurchased own shares up to February 22, 2017. The total of the above proposed dividend of SEK 558,790,000 may be changed if the number of repurchased own shares changes before each record day for dividend.

NOTE 20. INTEREST-BEARING LIABILITIES

SEK million	Dec 31, 2016	Dec 31, 2015
NON-CURRENT LOANS		
Liabilities to credit institutions	**997**	1 196
Book value, non-current liabilities to credit institutions	**997**	1 196
CURRENT LOANS		
Overdraft facilities	**-**	169
Liabilities to credit institutions	**8,683**	7,468
Book value, current liabilities to credit institutions	**8,683**	7,637
Total liabilities to credit institutions	**9,680**	8,833

Loan agreement maturity structure

	Dec 31, 2016 Amount, SEK million	Dec 31, 2015 Amount, SEK million
0–3 months	**2,965**	2,344
3 months–1 year	**5,718**	5,293
1–2 years	**497**	600
2–3 years	**500**	97
3-4 years	**-**	499
Total	**9,680**	8,833

Interest maturity structure

	Dec 31, 2016		Dec 31, 2015	
	Amount, SEK million	Average interest, %	Amount, SEK million	Average interest, %
0–3 months	**578**	**13.68**	-220	-30.26
3 months–1 year	**1,347**	**1.01**	898	1.32
1–2 years	**100**	**1.75**	800	2.79
2–3 years	**130**	**2.56**	500	2.99
3–4 years	**1,000**	**2.66**	530	3.05
4–5 years	**1,200**	**3.05**	1,000	2.66
5–6 years	**1,500**	**2.48**	1,100	3.10
6–7 years	**1,475**	**2.71**	1,500	2.48
7–8 years	**650**	**3.40**	1,475	2.71
8–9 years	**400**	**2.40**	650	3.40
>9 years	**1,300**	**2.04**	600	2.45
Total	**9,680**	**3.06**	8,833	3.47

All of the Group's interest rate derivatives are raised through banks by the parent company. The volume of the parent company's interest rate derivatives exceeds the volume of loans held by the parent company. Interest derivatives raised by the parent company on behalf of subsidiaries are attributed to the subsidiaries concerned and therefore form part of the inter-company transactions. The reason for this is that interest derivatives are not attributable to the parent company but to the financing of each respective subsidiary.

The unutilized overdraft facility amounts to SEK 800 million (631).

Weighted average interest rates on loans taking into account recognized derivatives instruments

%	2016	2015
Loans	**3.21**	3.66
Overdraft facilities	**0.53**	1.24

Recognized and fair values of other liabilities agree.

Liabilities to Group companies

Liabilities to Group companies are expected to run until further notice in order to handle liquidity flows in subsidiaries.

NOTE 21. FINANCIAL INSTRUMENTS

ACCOUNTING PRINCIPLE

According to RFR 2, parent companies that are covered by the consolidated financial statements should recognize certain financial instruments at fair value. Since Wallenstam does not apply hedge accounting in respect of interest rate derivatives, all changes in value are recognized directly among financial income and expenses in the income statement. The parent company administers borrowing including hedging of interest rates through interest rate derivatives for the Group's companies as an administrative service. All the financial circumstances described for the Group (refer to the Group's Note 29) also apply to the parent company, with the exception of electricity derivatives.

Financial instruments

	Financial assets measured at fair value through profit or loss		Loans and receivables		Available-for-sale financial assets		Total		Income statement
SEK million	**31.12.16**	31.12.15	**31.12.16**	31.12.15	**31.12.16**	31.12.15	**31.12.16**	31.12.15	
FINANCIAL ASSETS									
Receivables from Group companies	**-**	-	**16,655**	11,771	**-**	-	**16,655**	11,771	Interest income
Other shares of property interests	**-**	-	**-**	-	**7**	15	**7**	15	Net financial items, Other comprehensive income
Other non-current receivables	**-**	-	**1**	-	**-**	-	**1**	-	Net financial items
Interest rate derivatives	**-**	15	**-**	-	**-**	-	**-**	15	Unrealized change in derivatives
Trade receivables	**-**	-	**1**	1	**-**	-	**1**	1	Rental income
Other current receivables	**-**	-	**2**	31	**-**	-	**2**	31	-
Cash and cash equivalent	**-**	-	**57**	22	**-**	-	**57**	22	-
Total financial assets	**-**	15	**16,716**	11,825	**7**	15	**16,723**	11,855	

	Financial liabilities measured at fair value through profit or loss		Financial liabilities measured at amortized cost		Total		Income Statement
SEK million	**31.12.16**	31.12.15	**31.12.16**	31.12.15	**31.12.16**	31.12.15	
FINANCIAL LIABILITIES							
Other non-current liabilities	**82**	75	**-**	-	**82**	75	Unrealized change in synthetic option program
Liabilities to Group companies	**-**	-	**8,186**	3,410	**8,186**	3,410	Interest expenses
Interest rate derivatives	**970**	829	**-**	-	**970**	829	Unrealized change in derivatives
Interest-bearing liabilities	**-**	-	**9,680**	8,833	**9,680**	8,833	Interest expenses
Trade payables	**-**	-	**30**	21	**30**	21	Operation and administration
Accrued expenses	**-**	-	**78**	73	**78**	73	Operation and administration
Other current liabilities	**-**	-	**15**	9	**15**	9	Operation and administration
Total financial liabilities	**1,052**	904	**17,989**	12,346	**19,041**	13,250	

NOTE 22. ACCRUED EXPENSES AND DEFERRED INCOME

SEK million	Dec 31, 2016	Dec 31, 2015
Accrued salary costs	**37**	33
Accrued interest expenses	**35**	35
Accrued operating expenses	**1**	1
Prepaid rental income	**9**	8
Accrued administrative expenses	**5**	4
Book value, accrued expenses and deferred income	**87**	81

NOTE 23. PLEDGED ASSETS

SEK million	Dec 31, 2016	Dec 31, 2015
Property mortgages	**1,239**	1,197
Internal promissory notes and property mortgages	**3,034**	2,989
Pledged endowment insurance	**43**	40
Book value pledged assets	**4,316**	4,226

NOTE 24. CONTINGENT LIABILITIES

ACCOUNTING PRINCIPLE

The parent company's financial guarantee contracts mainly consist of loan guarantees in favour of subsidiaries. Financial guarantees mean the company has a commitment to compensate the holder of a liability instrument for losses that the holder suffers as a result of a named debtor's failure to meet its obligations and/or payments according to the terms of agreement. Contingent liabilities in favor of subsidiaries are financial guarantee agreements and are recognized in accordance with RFR 2, Reporting for legal entities, i.e. they are not recognized as provisions but are instead disclosed.

Surety commitments for Group companies amounted to SEK 6,739 million (6,290) and for other companies to SEK 97 million (353). Other contingent liabilities refer to responsibility as a general partner for the external liabilities of limited partnership companies, amounting to SEK 37 million (32), and for Fastigo, amounting to SEK 2 million (3).

NOTE 25. STATEMENT OF CASH FLOWS

SEK million	2016	2015
ADJUSTMENT ITEMS, NOT AFFECTING CASH FLOW		
Accrued unpaid management costs and administrative expenses	**7**	53
Depreciation/retirement	**57**	18
Total adjustment items, not affecting cash flow	**64**	71

NOTE 26. POST-BALANCE SHEET EVENTS

On January 25, 2017, it was announced that Thomas Dahl Vice CEO with responsibility for Wallenstam's operations in Gothenburg, has decided to leave the company. Thomas, who has worked in the company since 1988 and has been Vice CEO since 2007, will leave his position on June 30, 2017.

In late January, the Swedish Union of Tenants, Western Sweden Region and the Swedish Property Federation GFR reached an agreement concerning rents for 33,000 households in the Gothenburg area. For Wallenstam, the agreement means an average rent increase of 1.3 percent for both 2016 and 2017.

The income statements and balance sheets will be submitted to the Annual General Meeting on April 26, 2017.

The Board of Directors and the CEO affirm that the consolidated financial statements have been prepared in accordance with international accounting standards, IFRS as adopted by the EU and provide a true and fair view of the Group's financial position and results of operations. The annual accounts have been prepared in accordance with generally accepted accounting principles and give a true and fair view of the parent company's financial position and results of operations. The statutory administration report for the Group and the parent company provides a true and fair review of the development of the Group's and the parent company's operations, financial position and results of operations and describes material risks and uncertainties facing the parent company and the companies forming part of the Group.

Gothenburg, March 15, 2017

Wallenstam AB (publ)

Christer Villard
Chairman of the Board

Ulrica Jansson Messing
Vice Chairman

Anders Berntsson
Board member

Karin Mattsson Weijber
Board member

Agneta Wallenstam
Board member

Hans Wallenstam
Chief Executive Officer

My audit report concerning these annual accounts and the consolidated financial statements was issued on March 15, 2017.

Harald Jagner
Authorized Public Accountant

AUDITOR'S REPORT

This auditor's report is a translation of the Swedish language original. In the events of any differences between this translation and the Swedish original the latter shall prevail.

TO THE GENERAL MEETING OF THE SHAREHOLDERS OF WALLENSTAM AB (PUBL) CORPORATE IDENTITY NUMBER 556072-1523

Report on the annual accounts and consolidated accounts

Opinions

I have audited the annual accounts and consolidated accounts of Wallenstam AB for the financial year 2016-01-01 - 2016-12-31. The annual accounts and consolidated accounts of the company are included on pages 65-124 in this document.

In my opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

I therefore recommend that the general meeting of shareholders adopts the consolidated statement of comprehensive income and consolidated statement of financial position, and the income statement and balance sheet for the parent company.

Basis for Opinions

I conducted my audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. My responsibilities under those standards are further described in the Auditor's Responsibilities section. I am independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled my ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Key Audit Matters

ey audit matters of the audit are those matters that, in my professional judgment, were of most significance in my audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of my audit of, and in forming my opinion thereon, the annual accounts and consolidated accounts as a whole, but I do not provide a separate opinion on these matters.

Valuation of investment properties

Investment properties are valued at actual value and at 31 December 2016 the property holdings are valued at MSEK 36.555. Wallenstam's investment properties are valued by an internal valuation team at actual value in accordance with IFRS. The valuation requires a number of estimates and assumptions regarding e.g. future cash flow and determination of required dividend yield for each property. Relatively insignificant changes in estimates and assumptions may imply a significant impact on the Group's result and financial position.

For further information, please refer to the Administration report on page 65, comments on Group result on page 71, comments on the consolidated balance sheet on page 73 and note 11 and 14 in the financial statements.

My audit included the following procedures, but was not limited to these:

- I have reviewed Wallenstam's valuation procedures and considered the assumptions reasonable, that the procedures are consistently applied and that integrity exists in the internal valuation model.
- I have reviewed input and computations in the internal valuation model, on property level for a selection of properties, to ensure completeness and correctness.
- I have engaged an external party to assess Wallenstam's internal valuation.
- I have reviewed the correctness and completeness in relevant notes to the financial statements.

Income tax

The computations of current and deferred tax may imply a risk and uncertainty since conclusions based on the computations or part of it are based on assumptions on statutory requirements, legal usage or other sources where the application of the law is unclear. Examples of such a situation could be where there is a lack guidance available in relevant sources of law, or where statutory requirements are subject to investigation and possible amendments. The risk is that it is difficult to ensure a correct predictability and a correct conclusion. Incorrect judgments and assumptions may have a material impact on the Group's result and financial position.

For further information, please refer to the Administration report on page 65, comments on the consolidated balance sheet on page 73 and note 12 and 27 in the financial statements.

My audit included the following procedures, but was not limited to these:

- I have reviewed and assessed Wallenstam's procedures for computations of current and deferred tax and reviewed the computations of current and deferred tax against underlying documentation and tested the computations against tax legislation.
- I have reviewed the handling of realized and unrealized gains and losses on derivatives and performed property transactions in the tax computations.
- I have reviewed the correctness and completeness in relevant notes in the financial statements.
- Tax specialists have been involved in the review.

Valuation of wind turbines

Wallenstam valuates wind turbines at acquisition value according to current regulations. At 31 December 2016 the wind turbines were valued at MSEK 1,277. To assess any need for impairment Wallenstam test valuates the wind turbines. The valuation requires judgments and assumptions about for example the development of electricity prices, pricing of electricity certificates and weighted average cost of capital, which is a result of economic conditions, the weather and political decisions. Relatively small changes in judgments and assumptions may imply a material impact on the valuation of wind turbines.

For further information please refer to the Administration report on page 65, comments on Group result on page 71, comments on the consolidated balance sheet on page 73 and note 9 and 15 in the financial statements.

My audit included the following procedures, but was not limited to these:

- I have reviewed Wallenstam's valuation procedures and assessed if assumptions made are reasonable, that the procedures are consistently applied and that integrity exists in the internal valuation model.

- I have reviewed input data and computations in the internal valuation model for a selection of wind turbines to ensure that they are correct.
- I have reviewed the correctness and completeness in relevant notes to the financial statements.
- Valuation experts have been involved in the review.

Other information than the annual accounts and the consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-64 and 134-145. The board of directors and the managing director are responsible for this other information.

My opinion on the annual accounts and consolidated accounts does not cover this other information and I do not express any form of assurance conclusion regarding this other information.

In connection with my audit of the annual accounts and consolidated accounts, my responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure I also take into account my knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If I, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee and the Financial Committee shall, without influencing the responsibilities of the board of directors, among other things, monitor the company's financial reporting.

Auditor's responsibility

My objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatements in the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to my audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. I also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify my opinion about the annual accounts and consolidated accounts. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my opinions..

I must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. I must also inform of significant audit findings during my audit, including any significant deficiencies in internal control that I identified.

I must also provide the Board of Directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, I determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. I describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinions

In addition to my audit of the annual accounts and consolidated accounts, I have also audited the administration of the Board of Directors and the Managing Director of Wallenstam AB (publ) for the financial year 2016-01-01 - 2016-12-31 and the proposed appropriations of the company's profit or loss.

I recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

I conducted the audit in accordance with generally accepted auditing standards in Sweden. My responsibilities under those standards are further described in the Auditor's Responsibilities section. I am independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled my ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

My objective concerning the audit of the administration, and thereby my opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

My objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby my opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, I exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on my professional judgment with starting point in risk and materiality. This means that I focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. I examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to my opinion concerning discharge from liability. As a basis for my opinion on the Board of Directors' proposed appropriations of the company's profit or loss I examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

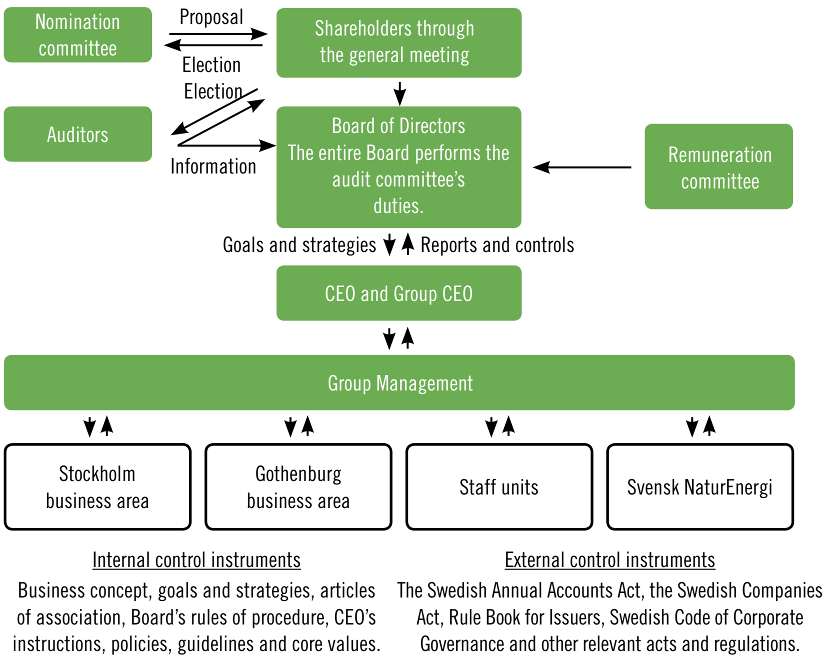
Gothenburg 15 March 2017

Signature on Swedish original

Harald Jagner
Authorized public accountant

CORPORATE GOVERNANCE REPORT 2016

WALLENSTAM'S CORPORATE GOVERNANCE STRUCTURE



PRINCIPLES OF CORPORATE GOVERNANCE

Wallenstam AB is a Swedish public company with its registered office in Gothenburg. The company's B shares are listed on Nasdaq Stockholm, Large Cap. In order to ensure good governance of the Group, responsibility is clearly divided among the shareholders, Board as well as the CEO and Management. The articles of association, the Board's rules of procedure, including CEO instruction, adopted policies and guidelines, the Swedish Companies Act and other applicable legislation and regulations form the basis for control of the Group. Wallenstam also applies the Swedish Corporate Governance Code (the Code). Wallenstam follows the Code with the exception of the provision regarding composition of the nomination committee. This deviation is explained in more detail below.

SHARES AND SHAREHOLDERS

The number of shareholders in Wallenstam amounted to 13,358 at year-end. Wallenstam's principal shareholder is Hans Wallenstam who, together with his family and companies, holds around 24 percent of the equity and 61 percent of the voting rights. Foreign share ownership amounted to 9 percent of the equity and 5 percent of the voting rights. The thirteen largest shareholders, where shareholders ten to thirteen hold the same number of shares, represented the equivalent of around 60 percent of the equity and 80 percent of the voting rights. No warrants, convertibles or equivalent securities exist, which can result in additional shares in the company.

As of December 31, 2016, Wallenstam's share capital amounted to SEK 170 million, distributed among 34,500,000 A shares (ten votes per share) and 305,500,000 B shares (one vote per share). There are no limits to how many votes each shareholder may cast at annual general meetings. The shares all carry equal rights to the company's assets and profits. However, repurchased own shares have no dividend rights. Wallenstam's market capitalization at year-end amounted to SEK 24,106 million.

According to Wallenstam's dividend policy, the reported profit should primarily be reinvested in the operations to enable continued development of the Group's core business and thus create increased value growth. When determining the size of the dividend, consideration must also be given to the company's investment requirements, need to strengthen its balance sheet and position in general, and the ability of the Group to develop in the future while maintaining its financial strength and freedom of action. The amount available for distribution must never exceed profit before unrealized changes in value and impairment charges after the standard tax rate.

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) is Wallenstam's highest decision-making body where shareholders have the opportunity to make decisions on questions concerning the company. The AGM is held in Gothenburg within six months of the end of the financial year. Shareholders have the right to participate in the AGM – personally or by proxy – if the shareholder is recorded in the share register on the record day and has notified his participation in the meeting to the company within the period prescribed in the convening notice. In order to be able exercise voting rights at the meeting, shareholders whose shares are nominee-registered must temporarily reregister their shares in their own name in accordance with the notice to the AGM.

The AGM elects the Chairman of the Board, the other Board members and the company's auditors. It is also tasked with adopting the balance sheets and income statements for the company and the Group, deciding on the appropriation of the company's profits, discharging the members of the Board and the CEO from liability for the financial year, approving guidelines for remuneration to senior executives and the appointment of a nomination committee.

Notice to attend the AGM is given through the Official Swedish Gazette (Post- och Inrikes Tidningar) and on Wallenstam's website. It shall also be announced in Dagens Industri that notice has been given. The convening notice includes the agenda and the resolutions proposed by the Board of Directors and the nomination committee. Shareholders who wish to have a matter dealt with at the AGM can request this in good time to Wallenstam's Board of Directors prior to the meeting.

A total of 329 shareholders were represented at Wallenstam's AGM on April 26, 2016, representing around 49 percent of the shares and about 74 percent of the total number of votes in the company. The Board of Directors, CEO, Group Management and the company's auditor were present.

The following resolutions were adopted by the AGM on April 26, 2016:

- Adoption of the income statements and balance sheets of the Group and the parent company for 2015.
- A dividend of SEK 1.50 per share for the 2015 financial year.
- Fees to the Board totaling SEK 1,330,000, of which SEK 670,000 to the Chairman of the Board, SEK 240,000 to the Vice Chairman and SEK 140,000 to each of the other Board members. Amounts include remuneration for committee work.
- Discharge from liability of the CEO and Board of Directors.
- Re-election of Board members Christer Villard, Agneta Wallenstam, Anders Berntsson and Ulrica Jansson Messing as well as new election of Karin Mattsson Weijber. Christer Villard was re-elected as Chairman of the Board.
- Re-election of Harald Jagner as auditor and Pernilla Lihnell as deputy auditor, both from Deloitte AB.
- Approval of guidelines for remuneration of senior executives.
- Authorisation for the Board to take decisions regarding acquisition and assignment of the company's own shares.
- Resolution regarding nomination committee ahead of the AGM 2017.

Minutes and a presentation from the AGM are available at www.wallenstam.se/bolagsstyrning.

NOMINATION COMMITTEE

The 2016 AGM resolved to establish a nomination committee ahead of the 2017 AGM in order to present proposals, including for the election of the Chairman and other members of the Board, election of the auditor, the chairman of the AGM, and questions relating to fees. The nomination committee ahead of the AGM 2017 is composed of:

- Dick Brenner (nomination committee chairman)
- Christer Villard (Chairman of the Board, Wallenstam AB)
- Hans Wallenstam (largest shareholder, Wallenstam AB)
- Lars-Åke Bokenberger (representing the shareholder AMF)

The composition of the nomination committee implies a deviation from the Code's provision 2.3 as the CEO is a member of the nomination committee. The reason for the deviation is that the CEO is also the principal shareholder in the company and is thus a member of the nomination committee in that capacity.

The members of the nomination committee have carefully considered and stated that there is no conflict of interest in accepting the assignment as a member of Wallenstam's nomination committee.

Shareholders have the possibility of submitting proposals to the nomination committee to the address provided on Wallenstam's website. The nomination committee's proposals to the AGM are published in connection with the convening notice. The nomination committee also submits a reasoned opinion regarding the proposed Board and a report on how the nomination committee carried out its work. As a basis for its proposal for Board members, the nomination committee has access to the results of the Board evaluation, which is conducted annually.

The nomination committee held one recorded meeting ahead of the 2017 AGM at which all of the matters that are incumbent on the committee to deal under the Code were discussed. The nomination committee discussed and considered the size of the Board, what areas of expertise should be represented on the Board, fees to Board members and a proposal for election of the auditor. As a basis for its opinion, the nomination committee studied the result of the annual evaluation of the Board that was carried out during 2016.

BOARD OF DIRECTORS

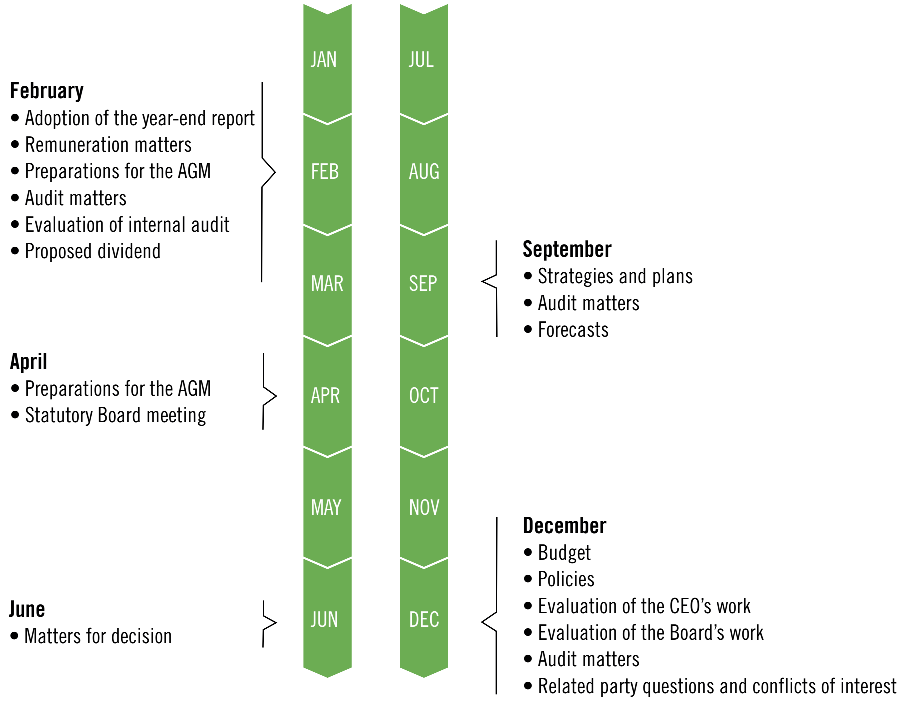
Shareholders elect the Board at the AGM every year. The Board of Directors has overall responsibility for the Group's organization and administration, and otherwise to ensure that the control of accounting, management of funds and economic conditions in general are satisfactory. It is therefore incumbent on the Board to ensure that a functioning reporting system is in place and that the Board receives the necessary information regarding the company's position, profit/loss, financing and liquidity through periodical reporting. In addition to its responsibility for the company's organization and administration, the Board's most important task is to take decisions on strategic matters such as approval of strategic plans, business and profitability targets and policies. The Board also takes decisions on major acquisitions and divestments of properties and companies and major investments in construction and wind power.

Name	Function	Elected	Attendance Board meetings	Attendance audit committee meetings	Attendance remuneration committee meetings	Independent*
Christer Villard	Chairman	1995	7/7	3/3	1/1	Yes
Ulrica Jansson Messing	Vice Chairman	2008	7/7	3/3	1/1	Yes
Anders Berntsson	Board member	1997	7/7	3/3		No
Agneta Wallenstam	Board member	2010	5/7	3/3		No
Erik Åsbrink	Board member until April 26, 2016	2000	2/2	1/1		Yes
Karin Mattsson Weijber	Board member from April 26, 2016	2016	5/5	2/2		Yes

* Independent means independent in relation to the company, company management and to the company's major shareholders under the provisions of the Code.

ANNUAL PLANNING BY THE BOARD

Apart from standing items such as investment decisions and information from the CEO in the form of financial reports, market analysis etc.



Composition of the Board

According to the articles of association, Wallenstam's Board must comprise at least four and not more than eight members, with no deputies. There are no provisions in the articles of association concerning the appointment and removal of Board members or about changes to the articles of association. Board members are elected annually at the AGM for the period until the end of the next AGM. New Board members receive an overview of the company and its operations and participate in Nasdaq Stockholm's training for board members in listed companies.

During 2016, Wallenstam's Board comprised five members elected by the AGM and no deputies. At the 2016 AGM, Erik Åsbrink resigned as a Board member and Karin Mattsson Weijber was elected to the Board along with Christer Villard, Ulrica Jansson Messing, Agneta Wallenstam and Anders Berntsson. Board members are presented in more detail on page 12. The CEO does not sit on the Board.

The work of the Board

The Board's work is governed by rules of procedure that are adopted annually at the statutory meeting. Among other things, the rules of procedure contain instructions about the division of duties within the Board and in relation to the CEO and the duties of the committees.

The Chairman of the Board leads the Board's work and ensures that the Board performs its duties. The Chairman monitors the Group's operations through continual contacts with the CEO and is responsible for ensuring that other members continually receive the information necessary to carry out the Board work in the best way. The Chairman is also responsible for conducting an annual evaluation of the Board's and CEO's work.

Board decisions require that more than half of the members are present and that more than one third of the total number of members vote for the resolutions. The Chairman has the casting vote in the event of the same number of votes.

Meetings during 2016

In 2016, the Board held seven recorded meetings, of which one was the statutory meeting. At each of these meetings, the Board dealt with the matters described in the chart above and other matters of material importance for the company. The Board work during the year focused in particular on strategy discussions, market conditions and financing questions, IT security issues, compliance issues and investments. The Board also made visits to a number of the company's ongoing construction projects. The CEO and officers of the company attend Board meetings in a reporting capacity.

The company's auditors attended the Board meetings during the year, which were held in February, September and December.

The Board conducted an evaluation of the Board's work during 2016. The evaluation was conducted under the leadership of the Chairman of the Board in the form of an open discussion within the Board. The evaluation was reported in full to the nomination committee by the Chairman of the Board. The Board also evaluated the CEO, without him being present.

Remuneration Committee

Within the Board, there is a remuneration committee tasked with preparing the Board's decisions on matters concerning remuneration principles as well as compensation and other terms of employment for the company management. In addition, the remuneration committee must monitor and evaluate the application of guidelines for remuneration to senior executives that the AGM has adopted as well as current compensation structures and levels in the company. Where appropriate, the remuneration committee must also monitor and evaluate ongoing programs for variable remuneration to the company management as well programs concluded during the year. The committee's members are appointed by the Board once every year and its areas of responsibility are governed by the rules of procedure adopted by the Board annually.

During 2016, the remuneration committee was composed of Chairman of the Board Christer Villard and Vice Chairman Ulrica Jansson Messing. The remuneration committee held one recorded meeting during 2016. Matters dealt with at the meeting included an evaluation of current remuneration to senior executives including ongoing incentive programs and proposals for future remuneration to the CEO and other senior executives in the company.

Audit Committee

The Board of Directors has discussed setting up an audit committee but has chosen not to establish one. The Board as a whole therefore performs the tasks that are the duty of an audit committee within the framework of the regular Board work. In this way, the Board's expertise can be fully put to use and Board meetings are made more efficient. The duties of the audit committee include:

- monitoring the company's financial reporting and making recommendations and proposals to ensure the reliability of the reporting
- monitoring the effectiveness of the company's internal control, internal audit and risk management in respect of the financial reporting
- keeping informed about the audit of the annual accounts and consolidated financial statements
- following the outcome of the audit
- evaluating and reviewing the auditor's impartiality and independence
- assisting with the preparation of proposals for the AGM's resolution on election of auditor

During 2016, the Board met three times in its capacity as an audit committee to deal with the above matters.

CEO AND GROUP MANAGEMENT

The CEO is responsible for the company's day-to-day administration and leads the company's operations according to the Board's guidelines and directives, including the adopted CEO instruction. The CEO is responsible for preparing complete information and decision data prior to Board meetings, presenting matters for discussion and for justifying his proposals for actions and decisions. The CEO also keeps the Board continuously informed of the development of the company and the Group through monthly newsletters.

Wallenstam's CEO Hans Wallenstam is the company's largest shareholder. It is a great advantage for Wallenstam to have a CEO with a long-term interest in the company. Apart from continuity, it also means quick decisions, which has proved to be a competitive advantage on a number of occasions.

In his day-to-day work, the CEO leads the Group Management. Wallenstam's Group Management includes the CEO, the Vice CEO responsible for the Stockholm/Uppsala business area, the Vice CEO responsible for the Gothenburg business area, the CFO and Head of Investor Relations, the Finance Director and the Communications Director. Wallenstam's Group Management is presented on page 14. The CEO and other members of Group Management meet continuously in order to monitor developments and results in the business areas, update forecasts and plans, and to discuss current issues. Reporting from Group Management to the CEO, in respect of each area of the operations, occurs on a monthly basis. In connection with this, an evaluation takes place together with annual development discussions to ensure that the right competencies are found in key positions.

Remuneration to the CEO and Group Management

Guidelines for salaries and other remuneration to the company's senior executives are decided by the AGM. The following guidelines, which apply to the CEO and other members of company management, were adopted by the 2016 AGM.

- Senior executives should be offered fixed salaries which are market-related and based on the employee's area of responsibility and performance.
- Senior executives should be offered market-related pension benefits, chiefly in the form of premium-based pension agreements.
- Senior executives should be offered customary non-monetary benefits to facilitate the performance of their work. Additionally, benefits in the form of accommodation, including related expenses, may also be offered in individual cases.
- In addition to fixed salary, variable remuneration that rewards predetermined, measurable performance may also be offered. Such variable remuneration should aim to promote the creation of long-term value within the Group. Furthermore, in connection with the conclusion of a published company business plan and to the extent the Board considers appropriate, the Board will have the right to decide on monetary compensation to the Chief Executive Officer and Vice Chief Executive Officers as remuneration for extraordinary work performed during the implementation of the business plan. Variable remuneration should be paid in the form of salary and may not exceed the fixed remuneration for the executive concerned for the year in question. Payments in respect of the incentive program below are not pensionable.
- Senior executives may be offered incentives in the form of so-called synthetic options if such an offer is available to all permanent employees in the company.
- A reciprocal period of notice of six months shall apply to senior executives. Termination benefits, including salary during the period of notice, may not exceed 24 monthly salary payments.

The Board retains the right to deviate from the guidelines if there are particular reasons in an individual case.

EXTERNAL AUDITORS

Wallenstam's auditors are elected annually by the AGM. At the 2016 AGM, Harald Jagner and Pernilla Lihnell, both from Deloitte AB, were re-elected as auditor and deputy auditor respectively, until the end of the 2017 AGM.

The auditors examine the Board's and the CEO's administration of the company and the quality of the company's accounting. The auditors report the outcome of their examination to the shareholders through their audit report, which is presented at the AGM. Moreover, the auditors present detailed statements to the Board at Board meetings several times per year. The Board meets the company's auditors without the Group Management being present once per year.

In addition to the audit, Deloitte AB performs certain audit-related services for Wallenstam. These services mainly relate to accounting, tax and company law-related matters, and Wallenstam is of the opinion that the performance of these services does not jeopardize Deloitte AB's independence. Further information regarding remuneration to the auditors can be found in the Group's Note 4.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board has overall responsibility for ensuring that Wallenstam has a satisfactory system for internal control over financial reporting. This system is designed through collaboration among the Board, Group Management and the company's personnel, aimed at ensuring the following:

- that the company has reliable financial reporting
- that the company has a suitable and efficient financial reporting organization
- that the company complies with applicable legislation and regulations regarding the financial reporting.

The company uses the established COSO framework (Internal Control – Integrated Framework) in its financial reporting work.

Control environment

To ensure internal control over financial reporting, Wallenstam's control environment is based on a clear division and distribution of responsibilities and duties between the Board and the CEO, and also within the company's operational activities. The Board's rules of procedure and CEO instructions aim to ensure such a distinct division of roles and responsibilities in order to facilitate the effective management of operational risks. Correspondingly, there are also decision-making and authorisation procedures covering all of the Group's operations, among other things, aimed at ensuring good order and at preventing or detecting irregularities/fraud (non-approved purchases, unauthorised use of the company's assets etc.) in time, which can have a significant impact on the company's financial reporting.

Policies adopted by the Board, such as the Code of Conduct and finance policy, are also important for the internal control work. There are also established guidelines for various managerial positions and other employees in order for them to understand and realize the importance of their respective roles in the maintenance of good internal control. Guidelines for the financial reporting are updated in the event of changes in legal requirements, listing requirements and/or accounting standards.

Risk assessment

Wallenstam's Group Management continually evaluates and identifies the risk for material errors in the financial reporting in discussions and meetings in the organization. The Board, in its capacity as an audit committee, reviews the material risks with the company's auditors and also decides on necessary measures that need to be taken. Wallenstam's largest risks have been identified in the following areas:

- acquisitions and divestments of properties/companies
- valuation of properties
- construction projects
- finance
- taxes
- IT security
- reporting and communication.

Control activities

Control activities are designed both to prevent and detect shortcomings in the identified risk areas and also to ensure that any errors in the financial reporting are corrected. There are also control activities to ensure that reporting occurs in accordance with applicable accounting rules and standards. Other controls include various forms of system support, built into established routines and division of duties such as quarterly reporting from the business areas to the CFO and through the principle that all documents should be reviewed by at least two people. In addition, the company has established an ethics council, which employees can contact in order to report suspected irregularities.

The Board reviews the interim and annual accounts prior to publication.

Instructions, procedures and manuals are drawn up, updated and communicated to the individuals concerned on an ongoing basis to ensure that the information they receive is current. Employees also undergo training to ensure the necessary competencies.

Information and communication

Both the internal information within Wallenstam and external communication are governed by the Group's overall information disclosure guidelines. The company management is responsible for informing the relevant employees about their responsibility for maintaining good internal control, with the aim of ensuring effective and accurate disclosure of financial reporting. This occurs through regular information meetings in each business area, among other ways. Employees are also kept informed via Wallenstam's Intranet of adopted policies, guidelines, instructions and manuals.

The PR and marketing department is responsible for the external information disclosure in respect of the financial reporting. This work is conducted in compliance with the principle of current and correct disclosure as described in Nasdaq Stockholm's rule book for issuers.

Follow-up of internal control

Wallenstam's Group Management continually evaluates that the internal control over financial reporting is working in the intended way. This occurs through internal analyses and by reviewing the accounting department's work, with the aim of identifying measures needed or proposals for improvements. The Board subsequently receives Group Management's comments regarding the operations and the internal control. The company's auditors participate in Board meetings at least three times per year and inform members of their observations regarding the company's internal routines and control system. Board members also have the opportunity to ask questions to the external auditors at these meetings. It is the duty of the Board to ensure that action is taken regarding possible shortcomings and proposed measures resulting from Group Management reports and in the audit and information from the auditors.

Internal audit

Wallenstam's Group Management continually reviews the procedures and documentation concerning the internal control system. Nothing has emerged to indicate that the control system is not working as intended. In the light of this, the Board has decided not to establish an internal audit function. This decision will be reviewed annually.

NON-COMPLIANCE

During 2016, no breaches of regulations or etiquette at the stock exchange where Wallenstam's shares are traded have taken place according to decisions by the exchange's disciplinary committee or pronouncements by the Swedish Securities Council.

This report does not form part of the formal annual report.

Gothenburg March 15, 2017

Christer Villard
Chairman of the Board

Ulrica Jansson Messing
Vice Chairman

Anders Berntsson
Board member

Karin Mattsson Weijber
Board member

Agneta Wallenstam
Board member

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

This auditor's report is a translation of the Swedish language original. In the events of any differences between this translation and the Swedish original the latter shall prevail

TO THE GENERAL MEETING OF THE SHAREHOLDERS IN WALLENSTAM AB (PUBL)
CORPORATE IDENTITY NUMBER 556072-1523

Engagement and responsibility
It is the board of directors who is responsible for the corporate governance statement for the financial year 2016-01-01 - 2016-12-31 on pages 128-132 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit
My examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that my examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. I believe that the examination has provided me with sufficient basis for my opinions.

Opinions
A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Gothenburg, March 15 2017

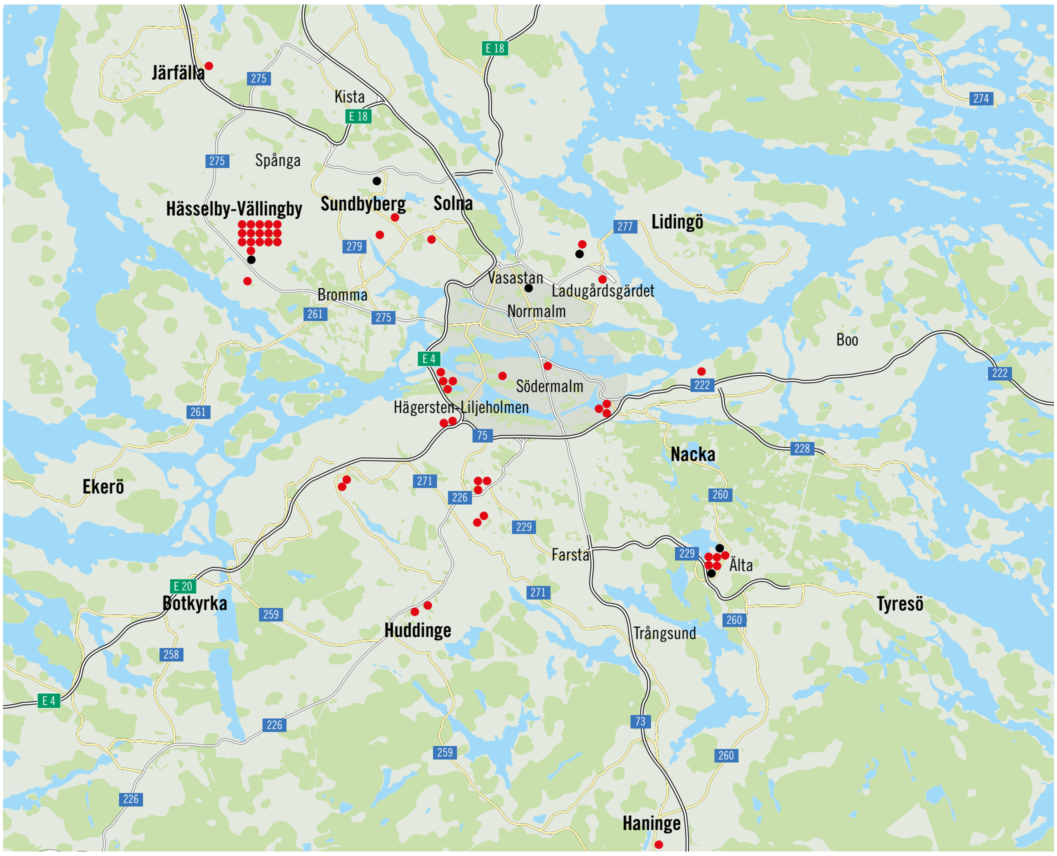
Signature on Swedish original

Harald Jagner
Authorized Public Accountant

LIST OF PROPERTIES IN STOCKHOLM

• = Residential properties • = Commercial properties

Name of property	Address	Year of construction/ conversion	Residential sq m	Office sq m	Retail sq m	Industry/ warehousing sq m	Education sq m	Garage sq m	Other sq m	Total sq m	Assessed value, SEK thousands	Leasehold	No. of apts.
Barkarby													
• Barkarby 2:28	Barkarbyvägen 42-52, 42A-42B, 44A-44C / Gripengatan 1-7 / Karlslundsvägen 4-8, 8A / Stora torget 1-3, 1A-1B, 2, 2A-2B	2014	15,615		756	45		3,688		20,104	348,265		247
Blackeberg													
• Islänningen 1	Holbergsgatan 82-84	1951	2,548		196					2,744	36,164	2021	84
Gröndal													
• Barlasten 4	Fågelsångsvägen 17	1929	719	191		21				931	14,852		16
• Galjonsbilden 28	Matrosbacken 15	1949	571							571	10,055		11
• Mastkorgen 7	Fregattvägen 4-8	1956	4,071			331		675		5,077	72,639		60
• Mastkorgen 9	Fågelsångsvägen 1	1956	546	52						598	9,676		11
Gärdet													
• New York 1	Sandhamnsgatan 1	1943	2,212		260					2,472	74,859		40
Hammarby Sjöstad													
• Forsen 1	Båtbyggargatan 66-68 / Vävar Johans gata 12-18	2005	8,216					1,700		9,916	252,400	2024	135
• Skärgårdsbåten 2	Fendergatan 2-4	2009	3,380					750		4,130	110,861	2018	49
• Svallvågen 1	Fartygsgatan 12-18 / Rorgångargatan 22-28 / Vävar Johans gata 29-37	2007	11,734					2,675		14,409	369,600	2026	170
Haninge													
• Söderbymalm 3:518	Poseidons gränd 1-21, 3A-3B, 7A-7B, 11A / Poseidons torg 1A-1C, 2A-2C	2012	11,408	527	1,081	30		4,150		17,196	223,400		196
Huddinge													
• Kansliet 2	Kansligränd 1-5 / Lännavägen 4 / Rådsvägen 4, 4A-4E	2007	9,206			31				9,237	151,147		138
• Klinten 16	Chronas väg 3 / Gamla Södertäljevägen 139 / Klintvägen 5	1982	1,385	27		20		175		1,607	16,228		22
• Klinten 18	Gamla Södertäljevägen 135 / Klintvägen 9-11	1982	1,217	470		8				1,695	18,897		23
• Runan 1	Drakvägen 2 / Gymnasievägen 2 / Kvarnbergsplan 2-18	1960	10,291	275	1,313	36		300		12,215	150,328		194
Högdalen													
• Brukslaven 2	Skebokvarnsvägen 163-171	1955	4,752			19			88	4,859	67,482	2024	81
• Nockteglet 3	Sjösavägen 21-31	1953	2,569	88				156		2,813	38,436	2023	45
Midsommarkransen													
• Violen 12	Erikslundsgatan 6 / Nioörtsvägen 36	1938 / 1987	1,053		296					1,349	22,193		16
• Violen 13	Nioörtsvägen 38	1938 / 1987	848		127					975	16,461		11
Nacka Strand													
• Sicklaön 368:2	Fyrspannsvägen 3A-3B, 5A-5C / Jacobsdalsvägen 2A / Lokomobilvägen 3-5	2015	7,561					1,694		9,255	185,702	2023	122
Norra Djurgårdsstaden													
• Domarudden 1	Grythundsgatan 3 / Jaktgatan 38-40	2016					815			815		2024	
• Stora Sjöfallet 3	Grythundsgatan 5-11 / Husarviksgatan 16A / Jaktgatan 37-41	2016	6,626		229			1,772		8,627	162,612	2024	121
Råcksta													
• Hålslaget 2	Ullångergatan 5	1953	3,840	51		79			6	3,976	57,687	2022	71
• Hålslaget 3	Ullångergatan 7-19	1953	3,020	200		113				3,333	44,096	2022	49
• Hängmappen 1	Multrågatan 34-50	1953	4,033	238		78				4,349	59,170	2021	59
• Kontot 2	Multrågatan 27A-27E, 29	2007	5,009							5,009	89,000	2026	73
• Kortregistret 2	Multrågatan 88-106	1953	4,039	251		116				4,406	58,211	2021	67
• Kortregistret 3	Multrågatan 72-86	1953	3,347	137		166				3,650	48,218	2021	60
• Kortregistret 6	Multrågatan 52-70, 56A-56B	1953	3,904	29	812	36				4,781	61,558	2021	65
• Kulspetspennan 1	Nordingrågatan 2-20, 20A-20B	1953	5,481	36		197		700		6,414	81,826	2022	96
• Kundregistret 4	Multrågatan 128	1953	2,933	31		67				3,031	43,109	2025	54
• Kundregistret 5	Multrågatan 130-156 / Ångermannagatan 123-125	1953	6,784	128	286	212		550		7,960	99,742	2025	108
• Kundregistret 6	Ångermannagatan 109-121	1953	2,803		64	156				3,023	42,024	2025	56
• Räknemaskinen 2	Gudmundrågatan 1-3, 2-10 / Solleftegatan 15-17	1952 / 1993	3,739	325	268	119				4,451	54,773	2021	58
• Räknetabellen 3	Gudmundrågatan 12 / Långseleringen 5	1953		58	307	78	1,087			1,530		2021	
• Samlingspärmen 2	Multrågatan 31-39	1953	1,979	122	87	6				2,194	29,581	2021	35
• Skrivmaskinen 4	Multrågatan 6-32	1952	5,889	83		279		250	17	6,518	87,735	2021	107
• Skrivmaskinen 6	Gudmundrågatan 15-19	1952	1,324							1,324	19,600	2021	24
• Skrivmaskinen 8	Gudmundrågatan 1-9 / Multrågatan 2-4 / Solleftegatan 3-13	1952	5,530	145		324				5,999	79,025	2021	100
Solna													
• Smaragden 1	Hannebergsgatan 22	1951	2,446	430		143				3,019	50,363		32
Sundbyberg													
• Fjällnäset 14	Högklintavägen 9-11	1966	2,632	514		153				3,299	49,311		37
• Freden Större 14	Gesällvägen 1 / Rissneleden 2-2B, 4-18 / Östra madenvägen 3-5, 9-17	1974		20,346	9,071	6,584		3,880		39,881	181,748		
• Lärkan 14	Kolonivägen 2-4 / Skogsbacken 1-3 / Tulegatan 8-14 / Ängsstigen 1-7	1964	9,823	629	1,447	2,903	1,299	9,780	113	25,994	226,400		162
Södermalm													
• Pålen 16	Hornsgatan 91 / Hornskroken 1	1938 / 1996	3,647	469	198					4,314			57
• Urvädersklippan Mindre 4	Klevgränd 10 / Urvädersgränd 11	1964	1,175		98	131		209		1,613	30,637		11



• = Residential properties
• = Commercial properties

Name of property	Address	Year of con-struction/ conversion	Residen-tial sq m	Office sq m	Retail sq m	Industry/ warehou-sing sq m	Edu-cation sq m	Garage sq m	Other sq m	Total sq m	Assessed value, SEK thousands	Lease-hold	No. of apts.
Älta													
• Älta 10:62	Oxelbacken 1-3 / Oxelvägen 24	2015	7,509					2,554		10,063	167,584	2024	129
• Älta 14:104	Stensövägen 2-8	2011	4,217					1,175		5,392	82,488		73
• Älta 19:1	Oxelvägen 42	1968		1,344	1,283	908		50	1,585	5,170	44,400		
• Älta 24:2	Oxelvägen 3-29	1965	24,800	264		528			20	25,612	285,706		320
• Älta 24:3	Oxelvägen 1	1971							1,007	1,007	6,424		
• Älta 25:1	Oxelvägen 26-40	1966	12,598	135		523		5,975	16	19,247	151,444		163
• Älta 27:3	Ältavägen 202	1993	4,711	665	300	94				5,770	73,458		73
Örby													
• Kolvringen 1	Rävsnäsvägen 79-83	1951											
• Sökarlyktan 1	Rävsnäsvägen 57-63, 69-83	1951	2,884	50		609				3,543	37,494		44
• Trafikmärket 1	Rävsnäsvägen 69-77	1951											
Östermalm													
• Sälgen 2	Birger Jarlsgatan 64, 64A-64B / Rådmansgatan 24	1927 / 2007		3,614	110			583	250	4,557	149,945		
Total			**246,624**	**31,924**	**18,589**	**15,143**	**3,201**	**43,441**	**3,102**	**362,024**	**4,845,014**		**3,975**

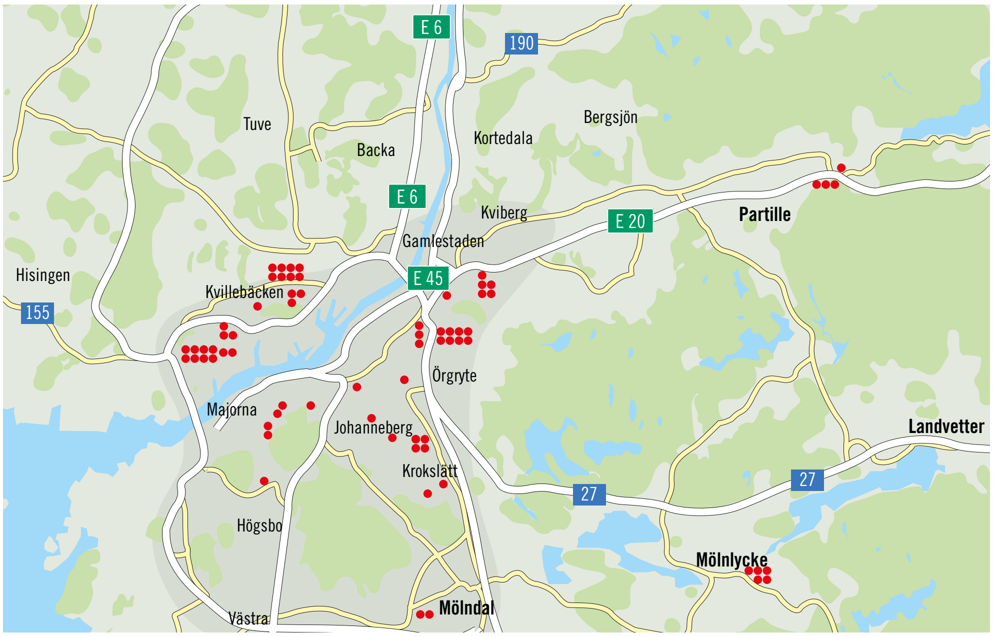
LAND

Name
Balettskon 1
Barkarby 2:44
Freden Större 12
Freden Större 13
Järnet 1
Järnet 7
Maren 1:14
Maren 1:15
Rankan 3
Rankan 4
Seglarskon 1
Seglarskon 2

LIST OF PROPERTIES IN GOTHENBURG

• = Residential properties • = Commercial properties

Name of property	Address	Year of construction/ conversion	Residential sq m	Office sq m	Retail sq m	Industry/ warehousing sq m	Education sq m	Garage sq m	Other sq m	Total sq m	Assessed value, SEK thousands	Leasehold	No. of apts.	Largest tenants
Aveny area														
• Johanneberg 15:26	Eklandagatan 27 / Volrat Thamsgatan 2-4	1950 / 1993		569						569	6,566			
• Lorensberg 7:15	Geijersgatan 7, 7A-7B / Götaplatsen 9 / Viktor Rydbergsgatan 1, 1A-1B	1936 / 2002	3,804	45	1,753	10			537	6,149	212,400		60	SF Bio
• Lorensberg 15:3	Lennart Torstenssonsgatan 6-8	1929 / 1993					2,100			2,100				The University of Gothenburg
• Lorensberg 43:1	Kungsportsavenyen 1 / Parkgatan 29 / Storgatan 30 / Teatergatan 2	1883 / 2008	553	2,925	707				10	4,195	118,800		10	Advokatfirman Nordia Göteborg
• Lorensberg 44:2	Kungsportsavenyen 2 / Parkgatan 31 / Storgatan 32, 34A-34B / Södra vägen 1	1910 / 2005		4,682	782					5,464	124,600			Wallenstam
• Lorensberg 45:21	Kungsportsavenyen 4 / Storgatan 51	1940 / 2000	1,946		1,070					3,016	104,800		27	Morelli Restaurang
• Lorensberg 50:1	Götabergsgatan 16 / Vasagatan 33	1934					4,600			4,600				The University of Gothenburg
• Lorensberg 52:4	Kristinelundsgatan 10 / Kungsportsavenyen 21-25 / Teatergatan 22-26	1941 / 1996	4,901	1,799	3,031	583		2,970	424	13,708	314,200		43	Aveny Blommor
• Lorensberg 53:1	Kungsportsavenyen 16 / Vasagatan 43A	1896 / 1998		1,315	705				185	2,205	70,000			Nilson Group
• Lorensberg 53:2	Lorensbergsgatan 1 / Vasagatan 43B	1966 / 2009		994	846				536	2,376	49,000			Pincho Nation
• Lorensberg 53:5	Kristinelundsgatan 14 / Lorensbergsgatan 7	1920 / 1984	1,179		540					1,719	48,309		13	Göteborgs Nattliv
• Lorensberg 53:6	Kristinelundsgatan 12 / Kungsportsavenyen 22	1929		879	574				277	1,730	39,885			Opalen Fastighets-Förvaltning
• Lorensberg 55:14	Engelbrektsgatan 34AA-34AB, 34B-34C / Lorensbergsgatan 18-20 / Södra Vägen 29	1936 / 2014	6,191	261	1,240	60			617	8,369	244,548		85	
• Lorensberg 56:8	Engelbrektsgatan 32 / Kungsportsavenyen 32-34 / Lorensbergsgatan 17-19	1962 / 2010	1,081	4,241	2,126	162		700		8,310	186,006		10	Svenska McDonalds
• Lorensberg 57:8	Engelbrektsgatan 30 / Kungsportsavenyen 29-37 / Teatergatan 30-38	1962 / 2014	7,097	4,845	4,271	398			1,250	17,861	618,834		93	Lindex Sverige
• Lorensberg 58:6	Chalmersgatan 26 / Engelbrektsgatan 26-28 / Teatergatan 25	1929 / 1988	1,565	4,201	402	55				6,223	143,000		14	Free lunch Design
• Vasastaden 3:1	Erik Dahlbergsgatan 1 / Karl Gustavsgatan 2 / Parkgatan 9-11, 10-12	1898 / 1980	1,578	879	196		2,444			5,097			15	Sjölins gymnasium
• Vasastaden 9:7	Bellmansgatan 13 / Vasagatan 14	1929 / 1990	2,079							2,079				
Gamlestaden														
• Gamlestaden 740:22	Marieholmsgatan 60B-60C	1929 / 1969				389				389	15,819	2024		SITA Sverige
Guldheden														
• Guldheden 5:5	Guldhedstorget 1, 1A-1B / Reutersgatan 1	1945 / 2015	2,708		611	50			1,010	4,379	63,437		57	
Gårda														
• Gårda 18:19	Drakegatan 7A-7B	1990 / 2006		6,014		189		1,600	107	7,910	106,000			Cryptzone Group
• Gårda 18:22	Drakegatan 5	1989		3,372		91		1,250		4,713	57,600			Frösunda LSS i Väst
• Gårda 20:1	Fabriksgatan 15 / Gårdavägen 1	1986 / 2007		4,343	93	129		204		4,769	79,200			Försäkringskassan, MSC Sweden
• Gårda 22:24	Fabriksgatan 26 / Vädursgatan 5	1989 / 2008		5,140	820	434	2,471	1,713		10,578	66,000			Kunskapsskolan
• Gårda 46:9	Södra Gubberogatan 4-8, 18-20	1936 / 1995		12,588	544	696		2,950	2,365	19,143	134,278			Frisk Service i GBG
Heden														
• Heden 24:13	Skånegatan 19 / Sten Sturegatan 34-36	1964 / 1997	3,693	414	750	36		1,423		6,316	115,896		34	Axfood Sverige
• Heden 24:14	Skånegatan 21-23 / Sten Sturegatan 38-44	1962 / 1988	8,538	1,839	2,143	1,042		3,000	274	16,836	302,600		87	Netto Marknad Sverige
• Heden 37:4	Skånegatan 16B	2006			10,610					10,610		2026		SF Bio
Högsbo														
• Högsbo 5:7	A Odhners gata 6 / Olof Asklunds gata 25	1967 / 1998			1,369	1,894				3,263	14,598			B V H Car Recond
• Högsbo 34:21	Gruvgatan 6-8 / J A Wettergrens gata 16	1989		4,964	269	262		1,450	3,107	10,052				GHP Spine Centre Göteborg
• Järnbrott 195:1	Högsbogatan 21-25	2009	6,838	81				1,000		7,919	124,386	2018	100	
Inom Vallgraven														
• Inom Vallgraven 6:1	Kungsportsplatsen 2	1929 / 2011		1,647	1,086					2,733	96,000			Fingerprint Cards, Sandberg & Trygg
• Inom Vallgraven 15:1	Drottninggatan 24-26 / Korsgatan 2-6 / Södra Hamngatan 25	1809		1,820	1,290					3,110	76,000			Wiktor Ahlströms konditori
• Inom Vallgraven 16:6	Korsgatan 1 / Södra Hamngatan 17-23	1891		2,981	287	138	1,846			5,252	115,800			Nordens Teknikerinstitut
• Inom Vallgraven 16:24	Korsgatan 3	1885		1,121	225	94			382	1,822	35,818			Advokatfirman Credo
• Inom Vallgraven 16:25	Drottninggatan 22 / Korsgatan 5	1885		552	188	40				780	20,200			Advokatbyrån STARK i Väst
• Inom Vallgraven 17:13	Drottninggatan 8, 9-11	1929 / 1998		2,616	29	100				2,745	60,400			Infotiv



• = Residential properties

Name of property	Address	Year of construction/ conversion	Residential sq m	Office sq m	Retail sq m	Industry/ warehousing sq m	Education sq m	Garage sq m	Other sq m	Total sq m	Assessed value, SEK thousands	Leasehold	No. of apts.	Largest tenants
• Inom Vallgraven 18:3	Korsgatan 11, 11B / Kyrkogatan 32	1929 / 2002	845		711					1,556	44,000		18	Buttericks Leco
• Inom Vallgraven 20:9	Kungsgatan 52 / Östra Hamngatan 39	1864 / 2008			1,767					1,767	94,000			Zara Sverige
• Inom Vallgraven 20:18	Korsgatan 14-18 / Kungsgatan 42-44 / Kyrkogatan 15-19	1810 / 2004		5,206	3,517	179				8,902	322,000			Advokatfirman Glimstedt
• Inom Vallgraven 21:10	Kungsgatan 59 / Östra Hamngatan 41-43	1804 / 1998		1,529	503	8				2,040	78,000			WERKS Advokater
• Inom Vallgraven 21:11	Vallgatan 42 / Östra Hamngatan 45	1929 / 2015		2,142	332					2,474	100,548			DB Banklokaler
• Inom Vallgraven 23:4	Södra Larmgatan 10 / Vallgatan 15, 15A-15E	1929		1,245	527					1,772	34,200			RK Travel Group
• Inom Vallgraven 23:5	Södra Larmgatan 12 / Vallgatan 17, 17B	1929 / 2000	223	522	1,159					1,904	44,012		4	Linderoths Mediaproduktion
• Inom Vallgraven 23:6	Södra Larmgatan 14, 14A / Vallgatan 19, 19A-19B	1929 / 2002	100	886	444	86			87	1,603	31,921		1	MA Arkitekter
• Inom Vallgraven 23:7	Södra Larmgatan 16 / Vallgatan 21, 21A-21D	1929 / 2001	169	1,162	963	238				2,532	54,944		3	Vallgatan 12 Fashion
• Inom Vallgraven 23:11	Korsgatan 17 / Södra Larmgatan 20-22 / Vallgatan 25-29, 25A-25B, 27A-27B	1929 / 2006		2,040	1,248	6				3,294	116,000			Hans Andersson Paper
• Inom Vallgraven 25:1	Basargatan 10-12 / Kungsportsplatsen 1 / Kungstorget 10-14, 11-13	1929 / 2008		3,150	2,482				6	5,638	186,808			Dunross & CO
• Inom Vallgraven 26:8	Basargatan 4-8, 6A-6B, 5-7 / Grönsakstorget 3 / Kungstorget 1-3, 2 / Lilla Korsgatan 2 / Södra Larmgatan 11-15, 13C	1929 / 2011	3,252	9,346	6,201	285		1,071		20,155	489,000		38	H & M Hennes & Mauritz GBC, SF Bio
• Inom Vallgraven 27:1	Grönsakstorget 1 / Södra Larmgatan 7 / Västra Hamngatan 24-26	1929 / 2011		2,424	878	10				3,312	78,600			Sophiahemmet Rehab Center
• Inom Vallgraven 32:1	Kaserntorget 6 / Vallgatan 1	1939 / 2001		2,033	576	247				2,856	64,800			More Ventures Nordic
• Inom Vallgraven 32:2	Vallgatan 3	1929 / 2008		133	440					573	12,476			Artilleriet Interiors
• Inom Vallgraven 32:8	Magasinsgatan 15 / Vallgatan 5	1814		386	322					708	12,616			Kaffelabbet MWJ
• Inom Vallgraven 32:12	Magasinsgatan 19 / Södra Larmgatan 2	1929 / 2004		370	2,085					2,455	45,200			Fe Sweden
• Inom Vallgraven 32:13	Kaserntorget 8, 9	1929 / 2007		123	471					594	9,166			Musik utan gränser
• Inom Vallgraven 35:12	Kaserntorget 1, 2 / Kungsgatan 13	1956		1,415	465	56				1,936	42,322			Protek Projektstyrning
• Inom Vallgraven 53:15	Lilla Torget 2 / Otterhällegatan 1	1986 / 2006		2,620		375				2,995	52,600			IMPLENIA Contruction GmbH
• Inom Vallgraven 55:1	Drottninggatan 2 / Ekelundsgatan 2 / Magasinsgatan 1 / Otterhällegatan 2	1850 / 2002		2,861	416	84				3,361	60,000			Feelgood Företagshälsovård
• Inom Vallgraven 57:7	Kyrkogatan 12-16 / Västra Hamngatan 7A-7C	1907 / 2003		997		24			2,844	3,865				Frisk Service i GBG
• Inom Vallgraven 60:8	Ekelundsgatan 1-3 / Otterhällegatan 4	1965 / 1997		11,411	514	1,064		1,098	55	14,142	223,000			County Administrative Board
• Inom Vallgraven 60:9	Ekelundsgatan 5-7 / Otterhällegatan 6	1964		2,600	66	48		3,900	3	6,617	76,000	2018		Eltel Networks Infranet
• Inom Vallgraven 60:10	Ekelundsgatan 9-11 / Kungsgatan 20-22 / Käppslängareliden 2 / Otterhällegatan 8	1964 / 2002		4,610	1,357				1,224	7,191	123,000			Eltel Networks Infranet
• Inom Vallgraven 64:31	Stora Badhusgatan 16	1949			127		1,542			1,669				Kitas utbildning

• = Commercial properties

Name of property	Address	Year of con-struction/ conversion	Resi-dential sq m	Office sq m	Retail sq m	Industry/ warehou-sing sq m	Edu-cation sq m	Garage sq m	Other sq m	Total sq m	Assessed value, SEK thousands	Lease-hold	No. of apts.	Largest tenants
• Nordstaden 24:11	Kronhusgatan 16 / Östra Hamngatan 15	1929			266		3,930			4,196				Vittraskolorna
Johanneberg														
• Johanneberg 47:4	Örnehufvudsgatan 7	1939 / 1986	1,904			42				1,946	57,025		31	
Järntorget														
• Haga 31:5	Haga Östergata 10 / Haga Östergata 12 / Skolgatan 1 / Skolgatan 3 / Södra Allégatan 6 / Östra Skansgatan 4	1992		1,978				500	3,030	5,508	61,400			Västra Götaland County Council
• Masthugget 10:3	Första Långgatan 22	1960 / 1994		2,133	173	110				2,416	28,400			TIBCO Software
• Masthugget 10:15	Första Långgatan 16–18 / Nordhemsgatan 13–15 / Andra Långgatan 15-19	1957 / 1989		8,594	888	385	4,006	800	785	15,458	168,000			Framtidsgymnasiet i Göteborg
• Masthugget 10:20	Första Långgatan 24-26 / Värmlandsgatan 14	1962 / 1991		6,709	467	126				7,302	88,400			TIBCO Software
• Pustervik 2:19	Lilla Pusterviksgatan 1-3 / Norra Allégatan 6 / Pusterviksgatan 11	1968 / 1994					4,300			4,300				Folkuniversitetet
Krokslätt														
• Illern 6	Krokslätts Parkgata 46A-46D	1944 / 1975	884			39			8	931	12,397		24	
• Krokslätt 9:15	Bomgatan 1 / Framnäsgatan 2 / Mölndalsvägen 47-51	2008	2,873							2,873	68,800		60	
• Krokslätt 21:1	Drivhusgatan 6A-6B / Milpålegatan 5 / Thorburnsgatan 12A-12D	1948 / 1994	2,517			13				2,530	48,059		47	
• Krokslätt 21:2	Drivhusgatan 4A-4C / Helmutsrogatan 7A-7B	1950 / 1994	1,761			122				1,883	33,709		33	
• Krokslätt 21:3	Helmutsrogatan 9 / Milpålegatan 3, 3A-3C	1950 / 2008	1,506			126				1,632	27,373		20	
Kvillebäcken														
• Kvillebäcken 3:1	Gustaf Dahlénsgatan 10-14 / Långängen 11, 11A / Solventilsgatan 20-22	2014	6,009		85			1,167		7,261	147,940		115	
• Kvillebäcken 5:6	Lantmätaregatan 12, 12A-12D, 14A-14C / Långängen 19	1954	2,089	114	553					2,756	33,359		37	
• Brämaregården 42:11	Godemansgatan 2 / Hjalmar Brantingsgatan 5, 5A-5D	1942	782		266	75				1,123	12,011		14	
• Brämaregården 42:12	Hjalmar Brantingsgatan 7, 7A-7D / Lantmätaregatan 5	1939	821		221	70				1,112	12,772		15	
• Brämaregården 44:11	Hjalmar Brantingsgatan 9 / Lantmätaregatan 2-6	1983	2,792		291	122				3,205	43,393		39	
• Brämaregården 62:1	Fjärdingsgatan 3-9 / Gustaf Dahlénsgatan 4-8, 6A / Långängen 14-16	2015	5,857		257			1,250		7,364	147,600		112	
• Kvillebäcken 73:1	Fjärdingsgatan 23-29 / Gustaf Dahlénsgatan 22-26	2013	6,280		108	3	594	2,336		9,321	155,899		108	The City of Gothenburg, Lundby District Council
• Kvillebäcken 74:1	Gustaf Dahlénsgatan 7A-7F / Rundbäcksgatan 14	2013	5,124	78		2	800	2,268		8,272	135,970		98	The City of Gothenburg, Lundby District Council
Kyrkbyn														
• Kyrkbyn 9:6	Estlandsgatan 1 / Prebendegatan 32A-32D / Östra Bräckevägen 52	1942 / 1975	652						54	706	8,484		16	
• Kyrkbyn 10:14	Estlandsgatan 4A-4D / Finlandsgatan 3 / Östra Bräckevägen 54	1942 / 1994	684			8				692	8,537		16	

Name of property	Address	Year of construction/ conversion	Residential sq m	Office sq m	Retail sq m	Industry/ warehousing sq m	Education sq m	Garage sq m	Other sq m	Total sq m	Assessed value, SEK thousands	Leasehold	No. of apts.	Largest tenants
• Kyrkbyn 10:15	Estlandsgatan 2A-2D / Finlandsgatan 1 / Vårbroddsgatan 1	1942 / 1975	658						47	705	8,269		16	
• Kyrkbyn 11:14	Finlandsgatan 4A-4D / Hullgatan 3 / Östra Bräckevägen 56	1942 / 1975	652							652	8,208		16	
• Kyrkbyn 13:14	Londongatan 4 / Tilburygatan 2A-2D / Vårbroddsgatan 7	1943 / 1984	766			50				816	9,305		14	
• Lindholmen 1:21	Polstjärnegatan 6	1955				11,147			1,350	12,497	27,230			The City of Gothenburg, Regional State Archives in Gothenburg
• Lindholmen 5:1	Polstjärnegatan 8, 8A	1968				11,510				11,510	15,532			The City of Gothenburg, Regional State Archives in Gothenburg
• Rambergsstaden 25:3	Enekullegatan 5A-5D	1943 / 1984	744			49				793	9,037		14	
• Rambergsstaden 28:1	Enekullegatan 4 / Håkansgatan 2 / Trekantsgatan 2, 2A-2D	1943	714		52	125				891	9,773		15	
• Rambergsstaden 28:2	Enekullegatan 2A-2D / Håkansgatan 4	1943	812			201				1,013	11,092		18	
• Rambergsstaden 32:2	Lantmannagatan 6 / Östra Keillersgatan 1A-1G	1945 / 1985	1,948							1,948	29,400		36	
• Sannegården 20:2	Bautastensgatan 11A-11C	1936	700			38				738	9,253		18	
• Sannegården 20:3	Bautastensgatan 9, 9A-9C	1939	741		41	6				788	10,268		17	
• Sannegården 21:39	Biskopsgatan 2A-2D / Pilegårdsgatan 26 / Prebendegatan 9	1945 / 1983	612	50		50				712	7,564		11	
• Sannegården 21:41	Pilegårdsgatan 22A-22D / Prebendegatan 5	1942 / 1975	520			59				579	6,908		14	
• Sannegården 21:42	Pilegårdsgatan 20A-20D / Prebendegatan 3	1942	538			20				558	7,029		14	
Kålltorp														
• Bagaregården 27:1	Lilla Munkebäcksgatan 9A-9E	1939 / 1999	1,062			18				1,080	21,228		25	
• Kålltorp 36:15	Stobéegatan 8A-8C	1935 / 1997	945		50					995	19,154		20	
• Kålltorp 37:1	Björcksgatan 29 / Munkebäcksgatan 6	1930 / 1974	603		166					769	13,078		13	
• Kålltorp 57:1	Qvidingsgatan 2A-2C	1936	576			65				641	11,254		14	
• Kålltorp 57:2	Qvidingsgatan 4A-4B	1936	551			72				623	10,123		10	
Linnéstaden														
• Olivedal 3:12	Övre Djupedalsgatan 7, 7A-7D	1929	1,143			192				1,335	26,865		16	
Lunden and Olskroken														
• Gårda 64:1	Redbergsvägen 11, 11A-11B	1939 / 2015	2,940		310					3,250	61,970		43	
• Gårda 67:29	Mäster Johansgatan 15-17	2006	3,725					80		3,805	89,131		53	
• Gårda 69:1	Gradmansplatsen 1 / Redbergsvägen 17, 17A-17B	1938 / 1998	1,728		435					2,163	35,306		28	
• Gårda 69:24	Kobbarnas väg 8	1937 / 1994	1,610							1,610	33,800		26	
• Gårda 70:8	Kobbarnas väg 15	1944 / 1985	1,573			15				1,588	30,800		25	
• Lunden 13:2	Karlagatan 7A-7C	1935 / 1976	628							628	12,400		16	
• Lunden 14:12	Karlagatan 1-3 / Mäster Johansgatan 14-16 / Wrangelsgatan 1	1974	4,434	47		43	517	1,469		6,510	89,637		63	
• Lunden 16:7	Karlagatan 4, 4A-4C	1939 / 1976	583	46	34					663	11,807		12	
• Olskroken 11:8	Övre Olskroksgatan 22, 22A-22B	1928 / 1979	1,640			60		30		1,730	30,745		24	
Majorna														
• Majorna 303:29	Amiralitetsgatan 2A-2B, 4-8 / Bangatan 21-39 / Djurgårdsgatan 26-40	1965 / 2014	34,173	1,001	1,784	170		10,949	456	48,533	683,973		444	Axfood Sverige
• Majorna 332:6	Godhemsgatan 14A-14C / Paternostergatan 7	1933	854			70				924	14,868		18	
• Majorna 332:9	Godhemsgatan 8A-8B	1933	665			90				755	11,547		12	
• Majorna 350:1	Dahlströmsgatan 8-20, 20B-20C, 22-44, 44B, 46-52 / Kolumbusgatan 1-3 / Stenklevsgatan 5	1959 / 2012	17,255	439	13	1,980			909	20,596	322,796		246	
Mölndal														
• Stallbacken 5	Åby Allé 13 och 19	2016	2,263					1,099		3,362	18,000		42	
• Stallbacken 7	Åby Allé 15-17	2016	3,715					1,368		5,083	29,200		71	
• Uttern 12	Göteborgsvägen 119-121 / Sörgårdsgatan 1A-1F	1929	1,556		137	30				1,723	22,382		26	
Mölndalsvägen														
• Krokslätt 20:6	Mölndalsvägen 81	1932 / 2000		2,540		251	600			3,391	39,200			Schneider Electric
• Krokslätt 154:6	Ebbe Lieberathsgatan 6 / Fredriksdalsgatan 2 / Mölndalsvägen 77-79 / Nordgårdsgatan 1-3	1986		3,583	3,044	2,899		691	772	10,989	85,600			Hermods
Mölnlycke														
• Hulebäck 1:23	Biblioteksgatan 9-15 / Centralvägen 14 / Ekdalavägen 3 / Gunnar Runfors gränd 2	1975 / 2013	2,751		4,972					7,723	96,000		46	
• Hulebäck 1:604	Centralvägen 13A-13D / Råda torg 7	1951	692		512	75			73	1,352	12,899		16	
• Hulebäck 4:90	Badhusgatan 14, 16A-16D / Biblioteksgatan 14A-14C, 16A-16D	2001	1,772	82	1,086					2,940	42,643		32	
• Hulebäck 4:92	Biblioteksgatan 4A-4E	2002		457	496					953	11,630			Kronans Droghandel Apotek

Name of property	Address	Year of con-struction/ conversion	Resi-dential sq m	Office sq m	Retail sq m	Industry/ warehou-sing sq m	Edu-cation sq m	Garage sq m	Other sq m	Total sq m	Assessed value, SEK thousands	Lease-hold	No. of apts.	Largest tenants
• Hulebäck 4:97	Biblioteksgatan 5 / Centralvägen 10-12 / Gunnar Runfors gränd 1-9 / Lennart Kvarnströms plats 2-8	1970 / 2011	1,339	1,112	640	17				3,108	44,596		20	Swedbank
• Hulebäck 4:164	Allén 2-6 / Biblioteksgatan 1A-1C / Centralvägen 8A-8E / Lennart Kvarnströms plats 1-13	2012	2,613		2,391			1,825		6,829	95,190		52	Lindex Sverige
• Hönekulla 1:157	Långenäsvägen 9A-9B, 11 / Rörsvängen 6	1933	100		305			28		433	1,790		2	Du & Din Hund i Härryda
• Hönekulla 1:479	Hönekullavägen 7	1971		608	437	211			1,505	2,761	13,193			Rescue Mission
• Mölnlycke 1:1, 2:1	Fabriksvägen 1 / Långenäsvägen 2 / Mölnlycke fabriker 1-21, 2-4, 12-16, 20	1890 / 2001		6,116	520	25,322	900		5,625	43,283	104,286			SCA Hygiene Products
• Mölnlycke 1:159	Fabriksvägen 2	1890 / 1981		350						350	1,468			SV Sjuhärad
• Mölnlycke 1:160	Fabriksvägen 1 / Långenäsvägen 2 / Mölnlycke fabriker 1-21, 2-4, 12-16, 20	1890 / 2001				4,800					9,808			
• Mölnlycke 1:161														
• Pixbo 1:294, 1:20	Rådavägen 2	1966 / 1994					1,850			1,850				
Partille and Jonsered														
• Manered 5:3	Höghallsvägen 1A-1B, 3A-3B, 5A-5B / Jonseredsvägen 4	1949 / 1994	1,332			54				1,386	8,696		24	
• Stärtered 1:21	Bäcksorlet 2 / Länsmansvägen 2A-2B, 4A-4B, 6A-6B, 8A-8B	1949 / 1994	2,176	134		33				2,343	22,562		40	
• Stärtered 1:23	Stärteredsvägen 24A-24B, 26A-26B, 28A-28B, 30A-30B	1950 / 1994	2,164			94				2,258	21,230		40	
• Stärtered 1:28	Stärteredsvägen 25-31	2010	3,620							3,620	55,800		59	
Rambergsstaden														
• Brämaregården 15:17	Väderkvarnsgatan 11A-11C	1938 / 1991	1,012	50		10				1,072	15,519		17	
• Brämaregården 19:2	Jägaregatan 9A-9C / Tunnbindaregatan 1	1930 / 1990	1,032							1,032	14,000		19	
• Brämaregården 30:3	Ekebergsgatan 1-7 / Hallegatan 7 / Hisingsgatan 22, 22B, 24A-24B	1991 / 2006	2,276							2,276	36,600		35	
Rosenlund														
• Inom Vallgraven 69:5	Rosenlundsgatan 6-8 / Rosenlundsplatsen 2	1974 / 1998		12,432	3,793	1,767		2,282	261	20,535	300,000			The Swedish Enforcement Authority
Stampen														
• Stampen 5:6	Polhemsplatsen 1 / Stampgatan 12-18	1990 / 2009		7,402		84		2,975	1,681	12,142	165,000			Akademiska Hus
• Stampen 15:18	Friggagatan 25A	1936 / 1993	1,418		205					1,623	36,281		26	
Önnered														
• Önnered 762:369	Önnereds brygga 1-17	1975 / 2005		1,434	705	228			520	2,887	19,903	2024		Restaurang Bryggvägen 100
Total			**218,799**	**193,827**	**91,831**	**72,710**	**32,500**	**55,446**	**32,376**	**697,489**	**10,482,547**		**3,375**	

LAND

Name
Almekärr 2:10
Gårda 52:10
Gårda 52:11
Gårda 52:2
Gårda 52:3
Hjällsnäs 11:17
Hälle 1:3
Inom Vallgraven 32:14
Kallebäck 3:3
Kärra 2:11
Kärra 26:5
Lunden 61:9
Skår 57:15
Släps-Hagen 1:29
Solsten 1:115
Stallbacken 9
Stallbacken 23
Stallbacken 24
Stallbacken 26
Stallbacken 27
Storegården 1:70
Stärtered 1:22
Älvsborg 755:505

LIST OF PROPERTIES IN HELSINGBORG

• = Residential properties

Name of property	Address	Year of con-struction/ conversion	Residen-tial sq m	Office sq m	Retail sq m	Industry/ warehou-sing sq m	Edu-cation sq m	Garage sq m	Other sq m	Total sq m	Assessed value, SEK thousands	Lease-hold	No. of apts.
Tågaborg													
• Vildvinet 1	Erik Dahlbergs gata 34 / Flemminggatan 14 / Pålsjögatan 21 / Tågagatan 47	1951 / 2016	11,241		191	588		1,177	1,623	14,820	218,752		182
Total			**11,241**		**191**	**588**		**1,177**	**1,623**	**14,820**	**218,752**		**182**

LAND

Name
Landån 5 & 6, 44 t.o.m. 58
Skäran 1

LIST OF PROPERTIES IN UPPSALA

LAND

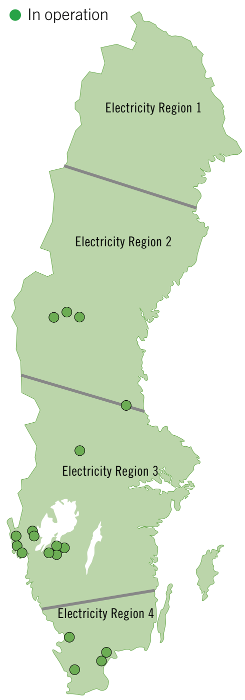
Name
Gränby 9:6
Kåbo 57:2
Nöttö 5:139
Sala Backe 1:1

PROPERTY HOLDINGS

	Residential sq m	Office sq m	Retail sq m	Industry/ ware-housing sq m	Education sq m	Other sq m	Garage sq m	Total sq m	Assessed value, SEK thousands	No. of apts.
Total Wallenstam Group	476,664	225,751	110,611	88,441	35,701	37,101	100,064	1,074,333	15,546,313	7,532

WIND POWER

Name	Location	No. of turbines	Output MW
Dan Carlson	Rålanda, Uddevalla municipality, Bohuslän	2	4.0
Rose-Marie Gulleberg	Lyngby, Kristianstad municipality, Skåne	3	5.6
Bengt Carlsson	Gategården, Vara municipality, Västra Götaland	1	1.8
Birgitta Lidbeck	Västergården, Mellerud municipality, Dalsland	2	3.6
Ann-Marie Forsberg	Tängelsbol, Mellerud municipality, Dalsland	1	1.8
Anders Adlerborn	Köjkeberget, Vansbro municipality, Dalarna	2	4.0
Erika Söderström	Stentjärnåsen, Härjedalen municipality, Jämtland	5	10.0
Kaj Lamton	Rätan-Digerberget, Berg municipality, Jämtland	5	11.5
Thomas Dahl	Vettåsen/Mårtensklack, Sandviken och Ockelbo municipality, Gästrikland	10	23.0
Carola Strandberg	Karstorp, Skara municipality, Västra Götaland	3	6.0
Bo Strandberg	Kilagården, Skara municipality, Västra Götaland	3	6.0
Susanne Börjeson	Järmunderöd, Munkedal municipality, Västra Götaland	3	6.0
Jeanette Wallén	Middagsberget, Berg municipality, Jämtland	3	9.0
Lena Johanson	Södervidinge, Kävlinge municipality, Skåne	2	4.0
Benny Olsson	Gunnarby, Uddevalla municipality, Bohuslän	8	18.4
Rigmor Sköld	Tommared, Laholm municipality, Halland	6	13.8
Gun Karlsson	Nyckeltorp, Skara municipality, Västra Götaland	3	6.0
Louise Wingstrand	Furulund, Kristianstad municipality, Skåne	2	4.0
Total		**64**	**138.5**



COMPLETED NEW CONSTRUCTION, INVESTMENT PROPERTIES, 2016

Name of property	Address	Year of construction/conversion	Residential sq m	Office sq m	Retail sq m	Industry/warehousing sq m	Education sq m	Other sq m	Total sq m	No. of apts.
Stockholm										
Domarudden 1	Grythundsgatan 3 / Jaktgatan 38-40	2016					815		815	
Sicklaön 368:2	Fyrspannsvägen 3A-3B, 5A-5C / Jacobsdalsvägen 2A / Lokomobilvägen 3-5	2015	7,561					1,694	9,255	122
Stora Sjöfallet 3	Grythundsgatan 5-11 / Husarviksgatan 16A / Jaktgatan 37-41	2016	6,626		229			1,772	8,627	121
Converted commercial premises to apartments in existing holdings, change			377	388		74			85	7
Gothenburg										
Brämaregården 62:1	Fjärdingsgatan 3-9 / Gustaf Dalénsgata 4-8, 6A / Långängen 14-16	2016	5,857		257			1,250	7,364	112
Stallbacken 5	Åby Allé 13 och 19	2016	2,263					1,099	3,362	42
Stallbacken 7	Åby Allé 15-17	2016	3,715					1,368	5,083	71
Converted commercial premises to apartments in existing holdings, change			180	140		80			40	4
Helsingborg										
Vildvinet 1, ombyggnad	Erik Dahlbergs gata 34 / Flemminggatan 14 / Pålsjögatan 21 / Tågagatan 47	1951/2016	2,660		191			2,660	5,511	52
Converted commercial premises to apartments in existing holdings, change			928	785	90	135		253	155	14
Total			**30,167**	**-1,313**	**767**	**-289**	**815**	**9,590**	**39,737**	**545**

PROPERTY ACQUISITIONS, 2016

Name of property	Address	Year of construction/conversion	Residential sq m	Office sq m	Retail sq m	Industry/warehousing sq m	Education sq m	Other sq m	Total sq m	No. of apts.
Stockholm										
Gränby 9:6, Uppsala* (approx. 7,600 sq m. above-ground GFA [gross floor area])										
Seglarskon 1* (approx. 6,000 sq m above-ground GFA [gross floor area])										
Seglarskon 2* (approx. 6,100 sq m above-ground GFA [gross floor area])										
Gothenburg										
Haga 31:5	Haga östergata 10 / Haga östergata 12 / Skolgatan 1 / Skolgatan 3 / Södra Allégatan 6 / Östra Skansgatan 4	1992		1,978				3,530	5,508	
Lunden 61:9* (approx. 6,400 sq m above-ground GFA [gross floor area])										
Storegården 1:70*										
Total				**1,978**				**3,530**	**5,508**	

* Land for housing production

PROPERTY SALES, 2016

Name of property	Address	Year of construction/conversion	Residential sq m	Office sq m	Retail sq m	Industry/ warehousing sq m	Education sq m	Other sq m	Total sq m	No. of apts.
Stockholm										
Kundregistret 3	Multrågatan 108126	1953	4,154	50		280		64	4,548	70
Morellträdet 6	Hantverkargatan 42 / Pilgatan 19AC	1929	2,019	232	270	116			2,637	31
Morellträdet 12	Hantverkargatan 44, 44A	1929	1,319	372	43				1,734	18
Morellträdet 13	Hantverkargatan 46, 46A	1929	1,119	309		68			1,496	23
Smaragden 2	Bergsgatan 26	1929	1,078						1,078	17
Udden 8	Fullerstatorget 210, 1719	1952	2,669	1,087	1,265	137			5,158	42
Gothenburg										
Brämaregården 7:12	Jägaregatan 2A2C / Neptunusgatan 13	1946	1,031			30			1,061	17
Härryda Solsten 1:126** (approx. 18,000 sq m)										
Kålltorp 56:8	Björcksgatan 74 / Forsstenagatan 2A2D	1936/2000	1,030						1,030	28
Helsingborg										
Oskar II 11	Drottninggatan 17 / Roskildegatan 46	1928/1987	2,832	22	1,024	143		918	4,939	34
Pål Ibb 21	Drottninggatan 72A72B / Hälsovägen 1 / Pålsgatan 1	1961/2016	4,986	608	474	155			6,223	57
Total			**22,237**	**2,680**	**3,076**	**929**		**982**	**29,904**	**337**

** Land

WALLENSTAM'S SUSTAINABILITY REPORTING

Wallenstam applies Global Reporting Initiative's (GRI), G4 Core level, for its sustainability reporting, which follows the financial year and is published annually as part of the annual report. The latest sustainability report was published on April 4, 2016.

This report describes how the Wallenstam Group has worked with sustainability issues during 2016. Wallenstam has defined the scope of the sustainability reporting as the areas referred to in the GRI index. A table is provided on the following pages of what GRI indicators are reported and where information about the GRI indicators is found in Wallenstam's reporting. This report has not been reviewed by an external party.

The contact person with regard to the reporting and its content is Communications Director Elisabeth Vansvik, elisabeth.vansvik@wallenstam.se.

GRI data

Information is provided below on the GRI indicators that are not reported elsewhere in the annual report.

G4-10: THE NUMBER OF EMPLOYEES BY EMPLOYMENT CONTRACT, EMPLOYMENT TYPE, GENDER AND REGION

The average number of employees in 2016 amounted to 227. All of the Group's employees are permanent employees, with the exception of five people who are probationary employees and eight people who are employed on a temporary basis, for example in the form of work as a substitute. Eleven people work part time, all of whom are permanent employees. Wallenstam had no significant variation in the number of employees during the year.

G4-14: WHETHER AND HOW THE PRECAUTIONARY APPROACH OR PRINCIPLES IS ADDRESSED IN THE ORGANIZATION

In many instances, Wallenstam acts in accordance with the precautionary approach, even though we do not use it as a concept in governance and strategies. For example, the precautionary approach is used in our work on identifying, analyzing and following up risks.

G4-16: MEMBERSHIP IN ASSOCIATIONS AND/OR NATIONAL/INTERNATIONAL ADVOCACY ORGANIZATIONS

Representatives of Wallenstam are represented in the governing bodies of Avenyföreningen, Fastighetsägarna Göteborg 1:a regionen, Nordisk Byggdag and Barn i Nöd, among other organizations.

G4-20,21: DISCLOSURE OF EACH MATERIAL ASPECT'S IMPACT INSIDE AND OUTSIDE THE ORGANIZATION

GRI aspect	Boundaries
Economic performance	Own operations
Energy	Own operations and sold energy
Water	Own operations and customers
Air emissions	Own operations and customers
Compliance with environmental laws and regulations	Own operations
Non-discrimination	Own operations
Anti-corruption	Own operations
Compliance with laws and regulations	Own operations
Product labelling	Own operations and supply chain

G4-EC1: DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

SEK million	
Direct economic value generated	
Revenues	3,194
Economic value distributed	
Payments to suppliers	-2,855
Of which, VAT without right to deduction	*-401*
Employee wages and benefits, incl. pensions and taxes	-197
Fees and benefits to the Board and CEO, incl. pensions and taxes	-11
Paid energy tax, stamp duty, property tax	-104
Interest payments to providers of capital, net	-280
Dividend to shareholders and repurchase of shares	-689
Economic value retained	**-941**

G4-EN3 ENERGY CONSUMPTION IN OUR PROPERTIES

	Unit	2016	2015	2014	2013*
Fuel consumption					
Total fuel consumption from non-renewable sources	***MWh***	***624***	***600***	***574***	***608***
Heating oil	MWh	447	499	487	530
Natural gas	MWh	177	101	87	78
Fuel consumption from renewable sources					
Non-applicable		-	-	-	-

*Base year 2013

**The electricity item includes electricity consumption relating to heat pumps.

***All data regarding CO2 in this table is based on inputs from suppliers, which report according to prevailing accounting standards. As data for the actual impact in 2016 was not available at the time of preparation of this report, the heating data was computed using estimated values based on the emission factors for the year 2015.

G4-EN3 ENERGY CONSUMPTION IN OUR PROPERTIES, CONT.

	Unit	2016	2015	2014	2013*
Energy consumption					
Electricity**	***MWh***	***35,742***	***34,254***	***35,065***	***46,687***
Heating	***MWh***	***93,684***	***89,891***	***97,060***	***122,452***
District heating	MWh	93,060	89,291	96,486	121,844
Oil	MWh	447	499	487	530
Natural gas	MWh	177	101	87	78
Cooling	***MWh***	***707***	***783***	***692***	***684***
District cooling	MWh	707	783	692	684
Green cooling	MWh	-	-	-	-
Total energy consumption, non-renewable	**MWh**	**44,374**	**44,974**	**97,752**	**123,136**
Total energy consumption, renewable	**MWh**	**85,758**	**79,954**	**35,065**	**46,687**
Total energy consumption	**MWh**	**130,133**	**124,927**	**132,817**	**169,823**
Heating per sq m climate-adjusted	KWh	91.5	92.1	105.1	106.6
Own electricity production from renewable sources					
Wind power	***MWh***	***351,794***	***415,284***	***321,200***	***281,452***

G4-EN6: DECREASE IN ENERGY USE*

	Unit	2016	2015	2014
Total reduction	**MWh**	**-5,206**	**7,889**	**37,007**
Reduction electricity	MWh	-1,489	812	11,622
Reduction heating	MWh	-3,793	7,169	25,393
Reduction cooling	MWh	76	-91	-8

G4-EN8: WATER CONSUMPTION IN OUR PROPERTIES

	Unit	2016	2015	2014	2013*
Water consumption per sq m (exclusively municipal water supply)	liter	933.6	969.3	1,105.3	1,033.4

G4-EN15: DIRECT GREENHOUSE GAS EMISSIONS***

	Unit	2016	2015	2014	2013*
Direct greenhouse gas emissions	ton	158	156	145	159

G4-EN16: INDIRECT GREENHOUSE GAS EMISSIONS***

	Unit	Comment	2016	2015	2014	2013*
Electricity	ton CO_2	Market-based method: 100% internally generated wind power	0	0	0	0
	ton CO_2	Location-based method: Average emission factor for Sweden (Svensk Energi)	465	445	456	700
District heating			3,473	3,416	4,010	8,160
District cooling			16	19	24	24

G4-EN19: REDUCTION OF GREENHOUSE GAS EMISSIONS***

	Unit	2016	2015	2014	2013*
Reduction of greenhouse gas emissions	ton CO_2	-56	589	4,163	
Total emissions CO_2 per sq m		3.40	3.69	5.4	5.93
Reduction of CO_2 per sq m	%	7.9	31.7	8.9	
Accumulated reduction since 2013 per sq m	%	53.5	53.7	43.5	

G4-EN29: COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS

During 2016, no significant fines were imposed on Wallenstam for breaches of applicable laws and regulations.

G4-HR3: NON-DISCRIMINATION

No incidents of discrimination were reported in 2016.

G4-SO8: COMPLIANCE WITH LAWS AND REGULATIONS

During 2016, no significant fines were imposed on Wallenstam for breaches of applicable laws and regulations.

GRI INDEX

Indicator	Description	Page	Comments
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Organizational profile			
G4-3	Organization's name	Back page	
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G4-5	Location of headquarters	65	
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G4-7	Nature of ownership and legal form	76	
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G4-9	Organization's size	65, 70–73	
G4-10	Number of employees distributed according to employment contract, employment type gender and region	35, 143	Wallenstam reports the number of employees according to the guidelines. Personnel on hire are not reported, as Wallenstam uses temporary personnel to a minor extent
G4-11	Total number of employees covered by collective agreements	35	
G4-12	Organization's supply chain	www.wallenstam.se/sustainability	
G4-13	Material changes during the reporting period		No material changes during the financial year.
G4-14	Whether and how the precautionary approach or principle is addressed in the organization	143	
G4-15	External economic, environmental and social principles and charters that the organization has endorsed or subscribes to	24–28	
G4-16	Membership of associations and/or national/international advocacy organizations	84, 143	
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G4-17	List over all units included in the consolidated financial statements	76, 118	All units are covered by the GRI reporting.
G4-18	Process for definition of the content in the reporting	24–26	
G4-19	List of identified material aspects	25–26, 144	
G4-20	Each aspect's main impact in the organization	24–29, 143	
G4-21	Each aspect's main impact outside the organisation	24–29, 143	
G4-22	The effects of, and the reason for changed information from earlier reports	143	Adjustment of previously reported data for G4-EN3, G4-EN6, G4-EN8, G4-EN15, G4-EN16 and G4-EN19 relating to year 2015.
G4-23	Material changes in scope and boundaries since the previous reporting period		No material changes since the previous reporting period.
Stakeholder engagement			
G4-24	The organization's stakeholder groups	24–25	
G4-25	Approaches for identification and selection of stakeholders	25	
G4-26	Method for stakeholder dialogues	25	
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Report profile			
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G4-29	Date of the latest reporting	143	
G4-30	Reporting cycle	143	
G4-31	The contact person with regard to the reporting and its content	143	
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Energy			
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Water			
G4-DMA	Disclosures on Management Approach	26–27	
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Emissions			
G4-DMA	Disclosures on Management Approach	5, 26–27, 32, 65	
G4-EN15	Direct greenhouse gas emissions	143	
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Compliance with environmental laws and regulations			
G4-DMA	Disclosures on Management Approach	24–27	
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Social			
Non-discrimination			
G4-DMA	Disclosures on Management Approach	24, 28, 36	
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Anti-corruption			
G4-DMA	Disclosures on Management Approach	24, 28, 36	
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Compliance with laws and regulations			
G4-DMA	Disclosures on Management Approach	24	
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G4-DMA	Disclosures on Management Approach	5, 47	
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WELCOME TO THE AGM

Wallenstam AB (publ), corporate id. no. 556072-1523, cordially invites its shareholders to attend the AGM on Wednesday, April 26, 2017 at 4.00 p.m. in Stenhammarsalen, Gothenburg Concert Hall, Götaplatsen 8, Gothenburg, Sweden.

The venue opens for registration at 2.30 p.m. Light refreshments will be served before the AGM.

REGISTRATION

Shareholders who wish to participate in the AGM must be registered as shareholders in the share register maintained by Euroclear Sweden AB no later than Thursday, April 20, 2017, and must also notify the company of their intention to participate in the AGM no later than Thursday, April 20, 2017, preferably before 4.00 p.m. Upon registration, shareholders must provide their name (company name), civic registration number (corporate identity number), address and telephone number as well as the name and civic registration number of any proxy and the number of any accompanying assistants (no more than two).

Registration may take place in the following ways:
- by telephone on +46 31 743 95 91
- by mail to Wallenstam AB (publ), FAO: Louise Wingstrand, SE 401 84 Gothenburg, Sweden
- on Wallenstam's website at wallenstam.se/arsstamma

There are proxy forms available on Wallenstam's website at wallenstam.se/arsstamma for shareholders wishing to be represented by proxy.

Shareholders who have their shares registered with nominees must re-register their shares in their own name in order to have the right to participate in the AGM. Such registration, which may be temporary, must be completed at Euroclear Sweden AB no later than Thursday, April 20, 2017. Shareholders should request their nominees to ensure re-registration in good time before this date.

The AGM considers the matters which it must address according to the Articles of Association as well as additional matters described in the notice convening the AGM.

The Board proposes that the dividend be spread over two payment dates. The record day for the first payment is proposed to be April 28, 2017 and October 27, 2017 for the second payment. If the AGM resolves in accordance with the proposal, Euroclear Sweden AB is expected to execute the first payment on May 4, 2017 and the second payment on November 1, 2017.

GLOSSARY

Yield requirements
The yield an owner demands for an investment with due consideration for how risky the investment is.

Load balancing responsibility
Means we must produce or purchase electricity in amounts equivalent to those used by our electricity customers. The same amount of electricity must be supplied every hour as used at any point of consumption.

Beta value
A statistical measurement that describes a share's risk. A beta value greater than 1.0 means that the share's yield changes more than its comparative index and the share is deemed to have a high risk. Conversely, the share is deemed to have a low risk in the case of a beta value less than 1.0.

CBD
Central Business District, the most central, attractive shopping and office locations.

CSR
Corporate Social Responsibility, a term for a concept according to which a company voluntarily integrates economic, social and environmental aspects into its operation and into its contacts with stakeholders.

Derivative instruments
A financial instrument whose value is related to an underlying asset or obligation. Used to create a hedge against undesirable price trends in the underlying asset. Examples of normal derivative instruments are futures and swap agreements.

Renewable energy certificates
The renewable energy certificate system is based on the provision of certificates to the producers of renewable electricity. Each MWh (megawat hour) equals one certificate. The sale of certificates is intended to provide producers with revenue in addition to the revenue from electricity sales.

Renewable energy
Energy that comes from renewable sources such as wind power, hydroelectric power and bio-fuels.

GRI
Global Reporting Initiative, a framework for recording and reporting sustainability information. GRI provides guidelines for the content of sustainability reports, how they should be prepared and the indicators that should be reported.

Covenant
A contract between a lender and a borrower where the borrower guarantees to fulfil certain key ratios, such as a given equity/assets ratio, as a condition of the loan.

kWh
A unit of energy based on how many kW are used per hour.

kWh, monthly requirement
A unit of energy based on how many kW are used per hour based on a monthly requirement.

MW
Abbreviation for megawatt, one million Watts. A Watt is a unit of power.

Nord Pool
The Nordic electricity exchange.

PCB
An industrial chemical with many different areas of application; it is used in transformers, heat exchangers, jointing compounds in houses, and in paint. The use of PCBs has been forbidden in Sweden since the 1970s.

Prime Rent
The highest basic rents in the best properties in various areas.

Spot market
A market where trade in goods for immediate delivery takes place.

Standard deviation
A statistical measurement that describes the share's volatility in relation to the share's average value.

Synthetic options scheme
A share-related options programme aimed at employees. Synthetic options provide the holder with the right to a final adjustment in cash at a given point in time based on the current share price.

Swap agreement
Swaps are financial instruments that entail an exchange of cash flow between two parties on an underlying nominal amount. An interest rate swap is an example of an agreement where an operator lending at fixed interest rates (e.g. fixed for five years) may wish to swap the interest flow with another operator lending at variable rates.

Vacancy rate
Unlet floor space in relation to total floor space.

Volatility
A measurement of how much a price of something varies over a given period.

Heating consumption, degree-day correction
Consumption is adjusted during a normal year with regard to temperature, wind and precipitation.

Heating consumption, time correction
If a reading is not taken at the end of each month, consumption is converted to annual consumption.

For additional clarifications, refer to wallenstam.se

DEFINITIONS

Share yield
The proposed dividend as a percentage of the share price at the end of the period.

Share total yield
The share price trend during the year including distributed dividend as a percentage of the share price at the start of the period.

The number of shares
The number of registered shares at any given time. *Number of shares outstanding:* the number of registered shares less repurchased own shares at any given time. *Average number of shares:* weighted average number of shares outstanding at any given time.

Loan-to-value ratio
Interest-bearing liabilities less cash and cash equivalents in relation to the Group's investments in properties, housing co-op constructions in progress and development properties constructed for sale and wind power at the end of the period.

Market capitalization
Share price multiplied by the number of registered shares on the closing day.

Net operating income
Rental income less operating and maintenance expenses, site leasehold rents and property tax.

Income from property management
Net operating income with the addition of management costs and administrative expenses and net financial items.

Rental value*
Rental income and the estimated market rent for vacant space.

Cash flow per share
Cash flow for the period in relation to the average number of shares outstanding.

Cash flow from operating activities per share
Cash flow from operating activities for the period in relation to the average number of shares outstanding.

Non-current net asset value (EPRA NAV)
Equity with reversal of deferred tax liabilities and the net effect of unrealized changes in value of derivative instruments after tax.

Average number of employees
The total number of hours worked during the year divided by normal annual working hours.

Unrealized changes in value, investment properties
Gains or losses from a change in the assessed market value of investment properties compared to the previous reporting period. See page 63.

Unrealized changes in value, New construction: The increase in value is gradually recognized during the construction of the property until the first year it is taken into operation. Unrealized change in value, new construction recognizes the difference between the cost of construction of a new rental apartment and the value it has on completion.

Unrealized changes in value, Other: Refers to changes in value of investment properties, which have been in operation for one calendar year or more.

P/E ratio
Share price at the end of the period in relation to profit after tax for the average number of shares over the latest rolling 12-month period.

Projects in progress
Land and development properties with new construction/total conversion in progress.

Realized changes in value, investment properties
Gains or losses from investment property sales during the period less the estimated market value of the properties at the previous reporting period.

Earnings per share after tax
Profit after tax in relation to the average number of outstanding shares, in accordance with IFRS.

Return on equity
Profit after tax in relation to average equity, calculated on a rolling 12-month basis.

Return on total capital
Profit before tax with the addition of interest expenses in relation to average total capital employed, calculated on the latest rolling 12-month period.

Interest coverage ratio
Profit or loss before unrealized changes in value and impairment charges with reversal of net financal items for the latest rolling 12-month period in relation to net financial items for the latest rolling 12-month period.

Interest coverage ratio, realized
Profit or loss before unrealized changes in value and impairment charges with reversal of net financial items excluding realized changes in the value of investment properties with the addition of profit or loss from the sale of investment properties in relation to the invested amount for the latest rolling 12-month period in relation to net financial items for the latest rolling 12-month period.

Average interest
Interest expenses for the period including profit or loss on swap agreements realized during the period in relation to interest-bearing liabilities.

Equity/assets ratio
Equity in relation to total capital employed at the end of the period.

Net asset value
Equity with the addition of deferred tax liabilities.

Occupancy rate – lettable area
Let floor space in relation to total floor space.

Surplus ratio
Net operating income as a percentage of rental income.

For further information, please refer to: www.wallenstam.se/glossary

**Operational key ratios, are not considered alternative key ratios according to ESMA's guidelines. See page 63.*

CALENDAR

Annual General Meeting	April 26, 2017
Interim report I	April 26, 2017
Interim report II	August 10, 2017
Interim report III	October 26, 2017

Information regarding Wallenstam's business operations, financial reporting and press releases can be found at wallenstam.se.

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LET THE CITY GROW!

Higher, broader, denser. Cities are getting bigger. Old districts are gaining new life, others are being established, growing together and forming entirely new areas.

Since 1944, at Wallenstam, we have worked with construction, densification and property management with the aim of creating areas where people want to work, stay and live.

Besides working each year to increase the proportion of satisfied customers, we should reduce our carbon footprint and start the construction of 7,500, environmentally sustainable homes by the end of 2018.

We invite you to take an inside look at how this work progressed during 2016.

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